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Signs of Socialist wear and tear in Spain, Page 2

World News

Bonn tries to quash N-traffic allegations

The West German Government did its best to end speculation about possible breaching of the *non-proliferation treaty* by West German companies, declaring as "groundless" allegations of atomic smuggling to Libya and Pakistan. Page 2; Feature, Page 17

An opinion poll commissioned by Stern magazine revealed that a majority of West Germans wanted nuclear power to be scrapped. The survey said 49 per cent of respondents wanted nuclear power to be phased out gradually and 16 per cent wanted it stopped immediately.

Nato summit date

Nato announced that its 16 heads of government would hold a summit meeting in Brussels on March 2 and 3. It would be their third summit in the past six years. Page 18

Rothschild dies

Baron Philippe de Rothschild, a leading figure in the Anglo-French banking family who devoted his life to developing the Mouton Rothschild vineyard in the Medoc region, died at his Paris home after a long illness, aged 85.

Reagan call for funds

President Reagan told a private meeting in Washington that a Congressional vote on funding for the Contra rebels represents "the moment of truth" for US support of the rebels.

Iraqi assault 'crushed'

Iran said its forces crushed four attempts by Iraqi commandos and other units to retake mountain peaks and villages captured in a five-day Iranian offensive in Iraqi Kurdistan.

Township toll rises

Three more people, including a *14-year-old* boy, died in a black power struggle in rural townships around Pietermaritzburg. The deaths brought to 19 the death toll in the area this week.

KGB scandal

Pravda revealed a major scandal linking Ukrainian KGB, police and justice officials to the jailing on corruption charges of an honest police chief. Page 2

Ex-bankers jump bail

Two Singapore brothers, former directors of the Ka Wah Bank, jumped bail totalling HK$21m ($2.7m) in Hong Kong the day before they were due to appear in court on a total of 81 charges of bank fraud and related offences. Austrian bank chief fined, Page 2

Steelworkers strike

More than 40,000 steelworkers in 53 West German plants staged a two-hour strike to press demands for a 5 per cent pay rise and a 35-hour working week, their union said.

Brazil border dispute

The *Brazilian Government* despatched 300 troops to keep the peace in a border dispute between the states of Rondonia and Acre after the states began reinforcing their contingents of armed military police in the disputed area.

Unita besieges town

Unita rebel forces in Angola, *backed up by long-range South African artillery*, were reported to have surrounded a strategic garrison town in southern Angola, putting Soviet- and Cuban-backed government forces at risk of imminent defeat. Page 3

Haiti election

First results from Sunday's election in Haiti showed Leslie Manigat, reported to have close ties with both the ruling junta and the US Government, way ahead in the race for president.

UK plans more jails

The British Government announced plans for six new jails

Business Summary

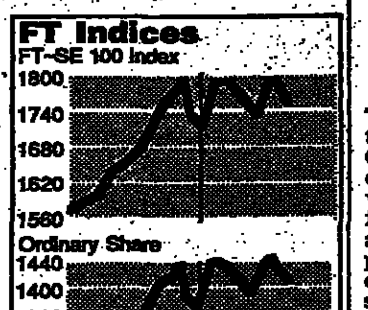
Wall Street drops below 1,900 to 6-week low

WALL STREET: The Dow Jones industrial average closed 57.20 down at 1,879.14, the first time it had dropped below 1,900 since December 11, the day after a large October trade deficit was reported. Page 35

SANOFI, French pharmaceutical company controlled by Elf Aquitaine oil group, withdrew its bid for A.H. Robins, US drug concern, following the emergence of American Home products as the clear winner in the *$3bn bid battle.* Page 19; Lex, Page 18

TOKYO: The weak tone continued yesterday and only situation stocks showed signs of life as leading issues moved lower. The Nikkei average shed 55.03 to 22,843.14. Page 35

LONDON: The stock market fell back again, with renewed concern about the US trade deficit depressing the dollar. The FT-SE index closed 15.2 down at 1,752.5 and the FT Ordinary index shed 13.8 at 1,409.2. Page 34



DOLLAR closed in New York at DM1.6570, FFr5.5905, SFr1.3450; Y127.15. It closed in London at DM1.6505 (DM1.6760); FFr5.5975 (FFr5.65); SFr1.3485 (SFr1.3655); Y127.75 (Y128.55). Page 27

STERLING closed in New York at $1.7995. It closed in London at $1.7925 ($1.7785); DM2.9775 (DM2.98); FFr10.0525 (FFr10.0475); SFr2.4175 (SFr2.4275); Y229.0 (Y228.75). Page 27

VIDEOTRON, Canadian cable television company, denied yesterday's Financial Times report that it was planning a C$70m ($54.4m) joint venture with British publisher Robert Maxwell.

GREECE is challenging a European Community decision to release Ecu10m ($8.2m) in financial aid to Turkey. Page 2

EUROPEAN Community has accorded Portugal Esc62bn *($455m) in aid for small and* medium enterprises and regional tourism. Page 2

CENTRAL Bank of Kenya reported that Kenya's inflation started to rise again in 1987 and its balance of payments to move into the red after the economy had recorded its strongest growth in a decade in 1986. Page 3

TAIWAN is to allow direct trade with eastern Europe and has cut duty rates on imported cars from 55 per cent to 42.5 per cent. Page 4

EUROPEAN Commissioner for External Trade, Willy de Clercq, attacked Japan over its growing trade surplus with the European Community. Page 4

WEST German Government is supporting efforts to sell Airbus airliners to eastern Europe as a means of improving East-West cooperation. Page 4

UNYSIS, US computer company, recorded profits of $190m for the three months ended December, compared *with a loss of $215m a year* earlier. Page 19

MITSUI Construction of Japan suffered a 25 per cent slump in pre-tax profits to Y1.9bn ($14.8m) in the six months to November, largely due to poor returns from the investment of surplus cash. Page 21

Iran takes over direct control of foreign hostages in Lebanon

BY NORA BOUSTANY IN BEIRUT

IRAN HAS taken direct charge of several foreign hostages in Lebanon in an effort to secure fresh concessions, including arms from Western governments, according to senior Shia militia officials in Beirut.

They said Mr Terry Waite, the personal envoy of Britain's senior archbishop who disappeared a year ago while negotiating the release of hostages in Beirut, and other captives had been transferred to the hands of locally based Iranian Revolutionary Guards at the beginning of the year.

The transfer came after a recent decision by Tehran to prevent the Lebanese kidnappers striking deals of their own.

The move appears to reflect a hardening of Iran's stance over the hostages. A militia official who is usually well informed about the issue, said Iran had decreed that from now on, it would exclusively handle hostage affairs with Western governments rather than through Lebanese intermediaries.

"Most of the captives are in the custody of Iranian Revolutionary Guards to prevent Lebanese groups, families or interlocutors from reaching agreements that are not strictly beneficial to Iran," the official said.

In the final week of December, the Iranian Government was reported to have intervened to block negotiations which might have led to the release of two captives: Mr Rudolf Cordes, a representative of West Germany's Hoechst chemical group abducted just over a year ago, and Mr Terry Anderson, the American journalist who is the longest-serving of all the foreigners still in captivity. There are believed to be 24 of them.

A deal had been in the making for the release of Mr Cordes in exchange for the freeing of Mr Mohammed Ali Hamadei, a Lebanese man being held in West Germany on charges of hijacking a TWA airliner in June 1985, payment of a ransom of $3m and proof to the captors that 17 Shia activists held in Kuwait on bombing charges were still alive and in good health.

Mr Anderson, Beirut bureau chief of the Associated Press, would have been next in line in the same package as a concession to the US. Washington had demanded the extradition of Mr Hamadei to the US for his alleged involvement in the hijacking and the killing of a US Navy diver on board.

However, the militia official said that when the Iranian Government found out about the negotiations, it told its representatives in Beirut that there could be no deal unless West Germany supplied it with material for manufacturing chemical weapons, arms and other technology. "The envoy in charge of the negotiations left for Bonn and that was the end of it," the militia official said.

According to Druze and Shia Moslem militia officials, Mr Waite, 48, is alive and has been transferred more than once to different locations in Beirut's southern suburbs.

However, they say there is little chance that he will be released soon.

The British Government is adamant in its refusal to bargain with the hostage-takers. "There is no way the British Government is going to make a deal with the kidnappers. We have nothing to propose, nothing to offer and the kidnappers should know that there is no benefit in keeping him," said Mr John Gray, the British ambassador to Beirut.

Mr Walid Jumblatt, the Druze chieftain who had provided bodyguards for Mr Waite on his last visit to Beirut, said in an interview that he was still exploring the possibilities for Mr Waite's release, in line with a promise to the Archbishop of Canterbury, Mr Waite's wife and the British Government. He

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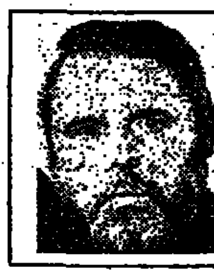

Terry Waite, the Anglican Church's special envoy to Lebanon who disappeared in the country a year ago yesterday. There are still only rumours about Mr Waite's whereabouts, but the Archbishop of Canterbury yesterday said on a BBC World Service broadcast that he believed Mr Waite was still alive. The US State Department said it regretted Mr Waite's disappearance and blamed Iran for the incarceration of hostages.

Commission orders France to slash subsidy for shipyard

BY WILLIAM DAWKINS IN BRUSSELS AND LYNTON MCLAIN IN LONDON

THE European Commission yesterday ruled that the French Government must reduce aid drastically to a shipyard which won a FFr435m ($43m) order *for a cross-Channel ferry* against British and Dutch competitors. The British and Dutch companies received smaller subsidies.

The decision, the first under EC shipbuilding competition rules which came into effect a year ago, means that Chantiers de l'Atlantique, the French yard, will receive around FFr100m less aid than promised when Brittany Ferries, the French ferry group, awarded it the contract under considerable government pressure last summer.

Commission officials believe none of the original FFr175m aid package – now to be cut to FFr75m – has been paid out, but the decision comes as a serious blow to the yard and has already provoked a storm of complaint from the French authorities.

It is not known yet whether Paris will appeal against the ruling, as it has against at least one other demand from Brussels for the repayment of illicit state subsidies under EC competition rules.

Yesterday's move is the result of a Commission inquiry following a British complaint. The European Commission's action, but it is unfortunate that in practical terms, the ruling doesn't appear to help Govan, as the ship is already being *built in France*".

The EC rules stipulate that state aid must not exceed 28 per cent of the cost of the contract, unless several EC shipyards are competing for the same order. Under those circumstances, the competitors must get a ruling from the Commission, which would normally rule that the lowest aid level on offer must prevail for all the yards taking part.

That means the French Government has to reduce what the Commission estimates is its proposed 37 per cent subsidy to the 22.8 per cent level offered by the Dutch authorities to their own yard. The UK Government was offering Govan aid worth 28 per cent of cost, in line with the EC rules.

The French Government now faces the choice of whether to accept the decision, which it fears will throw Chantiers de l'Atlantique into financial chaos, or appeal to a European Court of Justice which is proving increasingly supportive of the Commission's crackdown on illicit subsidies. If Paris decides to disburse the aid regardless, the Commission has the power to force the yard to repay it.

Govan yard, run by state-owned British Shipbuilders, put in a lower FFr410m bid, which it believed reflected its genuinely lower costs. The third bid – and the one with the lowest subsidy – came from De Giessen-Noord of the Netherlands.

British Shipbuilders last night said: "To the extent that this ruling contributes to fairness of competition within Europe in *shipbuilding, we welcome the*

EC-Turkey trade deal

THE European Parliament drew back from using its newly acquired constitutional powers to block a trade agreement with Turkey.

Its endorsement of the pact has been greeted with relief by the European Commission, which warned earlier that rejection would harm Community relations with an important trading partner and force a new round of negotiations with Ankara. Similar protocols with Israel will now be considered next month after the external relations committee decided, ostensibly on procedural grounds, to take this item off the agenda. Page 2

Israeli troops beat up refugees

By Andrew Whitley in Jerusalem

WIDESPREAD BEATINGS were reported yesterday in the Israeli occupied territories as troops responded to the switch in tactics in handling the unrest.

In one Gaza refugee camp, Jabaliya, more than 50 residents were being treated at a UN clinic for injuries resulting from beatings suffered overnight. Seven patients, including a 75-year-old woman, had to be transferred to Gaza City's Shifa Hospital.

In Ramallah, north of Jerusalem in the West Bank, Israeli soldiers carrying heavy wooden clubs broke-in doors of Arab homes and dragged youths out into the streets.

Similar tactics were used in Arab districts of East Jerusalem, where the police said 28 arrests had been made.

The security forces' new emphasis on non-lethal methods of controlling the six week -long disturbances, stems from the Government's belated realisation that the mounting fatality toll – 39 have died – was becoming counter productive.

It has also proved highly damaging to Israel's international image.

Mr Yitzhaf Rabin, the Defence Minister who is in charge of squashing the unrest, went on the offensive against critics who have urged Israel to include the Palestine Liberation Organisation in any future peace negotiasions.

Speaking shortly after Israeli troops had killed three guerrillas just inside the Israeli border with Lebanon, he said the incident was a reminder that "the PLO terrorist organisastions have not given up on terror, or on indiscriminate murder, as a central means of achieving their goals".

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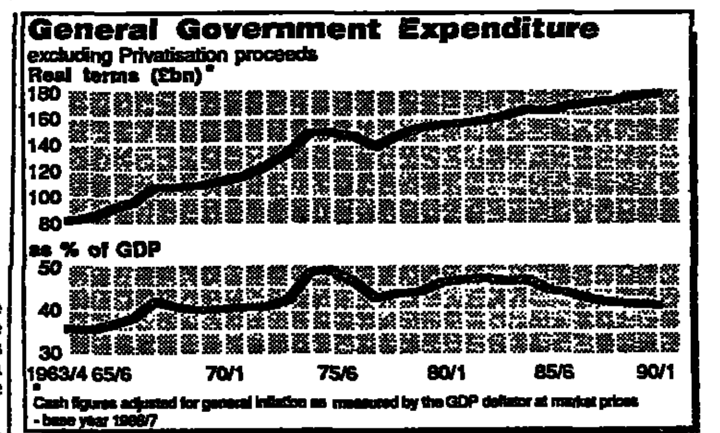

Tax cuts priority for UK Treasury

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE UK Treasury voiced its determination yesterday to prevent the outcry for extra funds for the National Health Service curbing its ambitions to cut tax levels by insisting that there would be no extra funds for public spending in the March budget.

Presenting the Government's detailed public spending plans for the three years to 1990/91, Mr John Major, Chief Secretary to the Treasury, said that there should be no expectations of extra cash for the National Health Service in the budget.

"We have just completed a public spending round and I do not intend to reopen it," he said. His comments, the firmest sign yet of the Government's intention to ride out the health service row, were agreed in advance with Mr Nigel Lawson, Chancellor of the Exchequer.

They were aimed at defusing *expectations that the extraordinary* bouyancy of public finances would prompt Mr Lawson to combine his announcement of sizeable tax cuts with additional resources for the NHS on March 15.

Unveiling the latest public spending discussion document, Mr Major said that the Government had already raised spending allocations in priority areas

The success of its economic *strategy* had allowed the Government to do this while continuing to reduce the public sector's share of national income - a process that would continue over the next three years.

Mr Major also announced that spending in the 1987/88 financial year was likely to fall short of the target set last year by about £1.3bn ($2.3bn).

The discussion document and the Treasury's refusal to announce additional funds for health services drew an angry response from the opposition Labour Party. Mr Gordon Brown, the opposition Chief Secretary, called the plans "a missed opportunity" and a "tragedy in its criminal neglect of the health service."

The shortfall in public spend*ing and the £3bn-£4bn in extra* revenues flowing into the Treasury in the current year meant that there were ample funds available to provide extra resources for the NHS, Mr Brown said.

Pressure over health, Page 5; Details, Page 12; Analysis, Page 13

Fiat president questions need for competition laws

BY JOHN WYLES IN ROME

MR GIOVANNI AGNELLI, president of the Fiat Group, yesterday questioned whether Fiat or any other Italian group needed to be regulated by national competition laws.

He defended his company's size and range of activities at a Senate committee inquiry into internationalisation and industrial competition.

His statement pits Italy's largest and most influential private company against a range of political and industrial opinion which favours legislation to preserve competition and curb industrial concentration.

Deploying a variety of statistics, Mr Agnelli argued *that* large Italian companies were a much smaller part of the national economy than in many other countries and needed to be larger and more numerous in the 1990s. He said the European Community's competition laws were adequate to regulate the Italian situation.

The Fiat chief more than once revealed his belief that the campaign in favour of competition laws was a politically inspired attack on his group. In certain quarters, he said, the proposal was aimed more "at hitting someone or something than at protecting worthy general interests."

He said there were only eight Italian non-oil companies in the world's top 500, compared with 28 in France, 38 in Germany and 53 in the UK.

Fiat's 1986 turnover of *$19.67bn was only 4 per cent of* national gross domestic product, while the three publicly owned industrial groups, IRI, ENI and Efim, jointly accounted for 10 per cent. "This concentration does not seem to excite similar anxieties," he added.

Nor were the Dutch apparently much concerned that the Philips group's turnover was 13 per cent of GDP and the Swedes that Volvo's was 9 per cent, he said.

He was proud that in the vehicles sector Italy had a company of European size in Fiat. But it was still only eighth in the world league of vehicle producers.

"I do not believe that Fiat's diversification can be considered an obstacle to free competition, if this really is the reason for our critics' agitation," said Mr Agnelli, who added that worries about the group's size in the national economy seemed to him "entirely out of place".

The Fiat president also defended the ownership of newspapers by industrial and financial companies. Fiat owns one national newspaper, La Stampa, and has a large shareholding in Corriere della Sera.

Freedom of the press was not threatened, he argued, by such a pattern of ownership. On the contrary, the press could not be considered "truly free" when it was *controlled* by *"political* power" which, he claimed, really feared competition from the private sector.

Any attempt to alter existing legislation on media concentration should be global, regulating both public and private controls over the press and radio and television, he concluded.

Giovanni Agnelli: defended Fiat

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SEARCHING FOR VOTES IN AN IOWA BLIZZARD

Candidate Pat Robertson, whose presidential campaign rolls on in spite of the weather, Page 3

KGB chief who framed honest cop is sacked

By Charles Hodgson in Moscow

A SENIOR KGB officer and police and justice officials in the Ukraine have been sacked for framing an honest police chief on bribery and corruption charges, the Communist Party newspaper Pravda reported yesterday.

The scandal, which also involved officials at the Interior Ministry and public prosecutor's office in Moscow, was uncovered during an investigation into the case by the party central committee's watchdog, the Control Commission.

The affair is seen as significant since it involves rare and serious criticism of the KGB, as well as revealing further wrongdoing by police officers, who have come in for more frequent press censure under Mr Mikhail Gorbachev's policy of openness or *glasnost*.

Pravda said the officials in Moscow and the Ukrainian port city of Odessa had conspired to silence the police chief, Mr A Malyshev, head of a squad investigating the theft of state property who had apparently been probing too actively into abuses by other officials.

Western diplomats said the detailed Pravda report could have been designed to discredit Mr Vladimir Shcherbitsky, the 69-year-old Ukrainian party leader and last surviving politburo member with close links to the former Soviet leader Mr Leonid Brezhnev, whose policies are now being criticised.

While Mr Shcherbitsky has been careful to align himself with the reformers in Mr Gorbachev's administration, observers said that the latest scandal, coming on top of previous cases of abuse by party officials in the Soviet Union's second largest republic, is certain to prove embarrassing.

The Control Commission, which is becoming increasingly active in exposing cases of official wrongdoing, accused one local KGB officer of "crude violation of the established rules on detention of people under investigation" in the Malyshev case, Pravda said. Though the newspaper did not elaborate, observers in Moscow have taken this to mean that Mr Malyshev and other witnesses in the case may have been subjected to physical, as well as psychological, abuse.

Last July there were reports that a journalist investigating corruption among senior party members in the Ukraine had died following police harrassment.

Pravda said that Mr Malyshev, who was imprisoned for two years, had been released in August and had returned to work at the Interior Ministry. The newspaper added that criminal charges were being prepared against those involved in the case.

● The official news agency Tass reported yesterday that the Soviet courts had begun examining the first civil suits filed by people complaining of infringement of their rights by state officials, under a new law that came into force on January 1.

Bundesbank's annual money targeting ritual faces dilemma

Today's monetary policy meeting is eagerly awaited, writes Andrew Fisher

IT HAS become an annual ritual, enacted on the 13th floor of an austere building on the outskirts of Frankfurt. Each year, the Bundesbank's policy-making council sits down to decide its money supply target for the coming 12 months. The practice began in 1974 and worked reasonably well until the mid-1980s, apart from an overshooting in 1978. But in both of the past two years, the goal was exceeded by a wide margin as heavy currency inflows upset the central bank's careful calculations.

Thus, the result of today's Bundesbank council meeting on monetary policy, attended by Mr Martin Bangemann, Economics Minister, will be eagerly awaited in West Germany and elsewhere. One question is whether a target for 1988 will be set at all. Last year, the expansion range of between 3 and 6 per cent set for central bank money stock – a combination of cash in circulation and banks' minimum reserve deposits at the Bundesbank – was well outdistanced by the actual outcome of 8 per cent.

Most economists, however, think the Bundesbank will again set a target corridor, probably at around the same level as last year, or a little wider, to allow for expected growth in production and prices. But the central bank money stock definition could be replaced by the broader M3 aggregate, modified to take account of deposits on the Euromarkets. M3 actually rose at a slower rate last year, around 6 per cent, than central bank money stock, though it advanced more rapidly in 1986.

One advantage of M3 would be to reduce the impact of cash, which has tended to exaggerate the rise in central bank money. This has mainly been through the effect of low interest rates and low inflation in curbing the velocity of money by discouraging its flow into other investments or purchases.

Of greater interest to financial markets will be how the Bundesbank explains the domestic and external factors surrounding its monetary policy. On one hand, it has to fulfil its obligation to maintain price stability. But it must also accommodate monetary inflows resulting from speculation on a D-Mark rise.

Since the high D-Mark and lower energy and raw material prices have kept prices down, the overshooting of the monetary target has not caused inflationary problems. But Bundesbank officials have made clear this cannot be tolerated for ever. Mr Karl Otto Poehl, president of the central bank, said recently that the consequences for monetary policy of the sharp rise in its reserves through currency intervention could not be taken lightly.

Two weeks ago, seven West German economists, including Mr Herbert Giersch, president of Kiel University's World Economic Institute, called on the Bundesbank not to abandon the setting of annual targets. Otherwise, they argued, the credibility needed for lasting price stability would evaporate. Others agree that confidence is important. "The question of credibility is decisive for the Bundesbank," says Mr Peter Pietsch, an economist with Commerzbank.

If the Bundesbank drops monetary targets now, while financial markets remain tense, the argument goes, it will find it that much harder to return to this policy when appropriate, as conditions calm down. "Credibility is a fragile animal," notes Mr Norbert Walter, senior economist at Deutsche Bank. "To give up a concept which has been held to for over a decade would be considered not just an aberration but a change of regime."

Mr Poehl, who has made clear that he does not regard central bank money stock targets as an absolute commitment, is flanked by several top Bundesbank officials who also believe these should be seen in the overall economic context and not made into a monetarist fetish. For instance, the bank needs to intervene in foreign exchange markets to try to prevent the D-Mark reaching heights which would be too damaging to the economy.

Such activity to support both the dollar and currencies in the European Monetary System led to a big jump in Bundesbank reserves in 1987. With speculation on a likely EMS realignment later this year and no real assurance that the dollar's present firmer levels will remain, more substantial intervention seems likely. Thus, comments Mr Hermann Remsperger, chief economist at BHF-Bank, of today's meeting: "The conflict between currency-oriented policy and money supply-oriented policy makes it hard for the Bundesbank."

Bonn refutes smuggling claim

BY DAVID MARSH IN BONN

THE BONN Government yesterday did its best to end speculation about possible breaching of the non-proliferation treaty by the West German companies by declaring as "groundless" allegations of atomic smuggling to Libya and Pakistan.

After the regular cabinet meeting yesterday, the Bonn government spokesman, Mr Friedhelm Ost, said investigations had failed to produce any proof of diversions of fissile material.

Allegations of possible shipments abroad of material for making nuclear bombs caused a political uproar last Thursday. They followed a lengthy investigation by state prosecutors into an alleged bribery ring at Transnuklear, the Hanau-based nuclear transport company.

Mr Klaus Toepfer, the Environment Minister, delivered a new report to the cabinet on the affair. Last week he called the allegations of breaches of the non-proliferation treaty "a terrible suspicion".

A special inquiry by the Bundestag (Federal Assembly) is due to start work today. This is due to look into the circumstances of Transnuklear's alleged infringements of nuclear regulations.

An industry threatened by its own fallout, Page 27

Moscow plans more borrowing

BY HAIG SIMONIAN IN DUSSELDORF

THE SOVIET Union aims to meet about 2 per cent of its future investment needs from hard currency sources, according to Mr Victor Gerashchenko, vice president of the Bank for Foreign Economic Affairs.

Mr Gerashchenko, speaking in Dusseldorf at the signing of the bank's SFr100m (£41m) bond issue launched earlier this month, confirmed the deal was likely to be followed by others this year. The Swiss transaction was the Soviet Union's first external bond since the 1917 Revolution.

However, he did not give details of the currencies the Soviet Union intended to borrow in, nor would he say how much of its hard currency investment needs would be met by tapping the world's capital markets. In 1986, the Soviet Union's total investment amounted to Roubles 190bn (£190bn), according to Mr Gerashchenko.

The Soviet authorities have had to release a wealth of hitherto unpublished economic material, made public for the first time yesterday, to comply with the strict prospectus requirements demanded by the Swiss authorities for any public bond issue.

The Soviet Union had a trade surplus of Roubles 5.7bn in 1986, according to the prospectus, against Roubles 3.3bn the previous year. Gross social product rose to R1,426bn, compared with R1,384bn in 1985. The country's industrial output went up to R836bn from R804bn in wholesale price terms, while gross agricultural output (in 1983 prices) rose to R229bn from R208bn in 1985.

On the industrial front, industrial growth rose to 126 from 120 in 1985 (1980 = 100). While heavy industry rose sharply to 130 on the index against 123 in 1985, light industry only edged up to 109 against 108 the previous year.

Overall, the state budget showed a small surplus, with total revenue rising by R28.9bn in 1986 to R420bn, while total spending increased by R30.6bn to R417.1bn.

The Swiss bond has been widely seen by bankers as a test for future Soviet issues in the Eurobond markets. The next issue for the Bank for Foreign Economic Affairs is likely to be a D-Mark Eurobond within the next three months.

However, it will first be necessary for the Soviet and West German governments to reach agreement on settling outstanding debts from the Tsarist period, repudiated by the Soviets after 1917.

Mr Gerashchenko said further Soviet bond issues would be closely linked to specific investment projects and the need to buy capital goods in the West. Among the likely areas for such investment are motor manufacturing and the wood and cellulose industry, he said.

Money would not be raised abroad "for purchases of French perfume or German schnapps". The proceeds of the bank's Swiss franc bond would be used to finance long-standing purchases of Swiss machine tools and work benches, he said.

Mr Gerashchenko would not be drawn as to when the bank might issue its next bond.

Italy may accept US aircraft

BY JOHN WYLES IN ROME

SENIOR Italian Ministers have begun preparing for a discussion with the US on the possible relocation in Italy of the 72 F-16 fighter-bombers due to be withdrawn from Spain within three years.

Although the US has not yet made any proposal, the Italian Government is expecting Mr Frank Carlucci, the US Defence Secretary, to broach the subject on a visit to Rome expected in early February.

Mr Giovanni Goria, the Prime Minister, is believed to have discussed the matter with senior colleagues at a meeting yesterday.

A formal decision on where to rebase the aircraft after their withdrawal from the Torrejon airbase near Madrid will be taken within Nato.

Clearly, however, the US will be keen to establish Italian readiness to host the aircraft before Nato begins serious consideration.

The aircraft are dedicated to the defence of Nato's southern flank and as soon as the agreement between the US and Spain on their withdrawal from Torrejon was announced last Friday, Italian politicians began preparing for what could be a fierce domestic argument.

It is thought that the F-16's could be located at US bases either in Aviano in Friuli or at Comiso in Sicily.

The Greens party has already come out firmly against the move, and others, including the Communists, may complain that accepting the US 401st Airwing would nullify the symbolic contribution to disarmament contained in the withdrawal of cruise missiles from Comiso under the recent US-Soviet agreement.

At bottom, however, all the coalition parties are strong supporters of maintaining the US presence in Europe and wary of any approach that may weaken it.

Italian trade surplus

Italy achieved a balance of payments surplus of L1,637bn (£748m) last year, helped by a December surplus of L1,188bn, the Bank of Italy said yesterday, **writes David Lane in Milan.**

Italy's monetary authorities said the outturn was due to excellent results in the last four months. In 1986, the balance of payments showed a deficit of L2965bn.

EC aid for Portugal

PORTUGAL'S Minister of Planning, Prof Joao Valente de Oliveira, and the European Commissioner for Regional Affairs, Mr Peter Schmidthuder, have signed an Es62bn ($455m) agreement to help small and medium enterprises and regional tourism, **writes Diana Smith in Lisbon.**

Turkey bank blocks new loans above $45,000

BY JIM BODGENER IN ISTANBUL

FRESH credits have been blocked and inquiries ordered into loans totalling more than TL50m ($45,000) at the Turkish state-owned Ziraat Bankasi (Agricultural Bank) in Turkey.

Mr Coskun Ulusoy, the bank's recently appointed general manager, issued an internal memorandum seeking a comprehensive list of all loans of over TL 50m .

He said he would not prolong payment terms or grace periods on debts and would not offer interest reductions to debtors who had fallen behind in repayments or interest payments on credits over TL100m.

No new credits, even those previously approved but not disbursed, would be issued, he said, and no new appointments would be made until further notice.

French trade deficit plunges

By George Graham in Paris

FRANCE'S foreign trade deficit plunged last year to FFr31.4bn ($5.6bn) after a deficit of only FFr500m in 1986.

The French commerce ministry announced yesterday that the trade deficit in December reached FFr900m after correction for seasonal variations compared with FFr700m in November. The increase was partly caused by a sharp increase in car imports, which rose to FFr4.9bn from FFr3.5bn

ARMS TALKERS: Mr Gonzalez with Mr Shevardnadze yesterday

Gonzalez, Shevardnadze in arms talks

MR EDUARD Shevardnadze, the Soviet Foreign Minister, yesterday discussed prospects for further disarmament with Spanish Prime Minister Felipe Gonzalez, Reuter reports.

In an unusual gesture adding warmth to his welcome, Mr Gonzalez stepped out of his Moncloa Palace to welcome Shevardnadze on his three-day visit. Diplomatic protocol generally requires that a visiting foreign minister be greeted inside the official residence.

The meeting, which extended 45 minutes beyond the scheduled one hour, surveyed the state of East-West relations following the signing of the superpower pact to scrap Intermediate-range Nuclear Forces (INF) last month.

It also covered prospects for another East-West summit and further reductions in nuclear as well as conventional and chemical weapons.

Bilateral relations were excellent, but economic links needed to be boosted, with the possibility of joint ventures and tourism co-operation.

W Berlin mayor welcomes new Soviet attitude

By Leslie Colitt in Berlin

WEST BERLIN'S mayor, Mr Eberhard Diepgen, said yesterday the Soviet Foreign Minister, Mr Eduard Shevardnadze, who spoke in Bonn this week of "unutilised possibilities" for Berlin, should be taken at his word.

Mr Diepgen noted a new readiness by the Soviet Union and East Germany to utilise the "opportunities of (West) Berlin's location."

The mayor's remarks followed a recent offer to Moscow by the three Western allies in Berlin for talks to achieve "practical improvements" in the divided city. These would include improved air links, "humanitarian contacts" and the holding of international meetings and events such as the Olympic Games in both halves of the city. The improvements were suggested by President Ronald Reagan in a speech last year in West Berlin.

Mayor Diepgen strongly favoured going ahead with a planned high-speed rail link between Hanover and West Berlin. It would cost money, he noted, alluding to Bonn's reluctance to commit fresh funds at the moment, but would "tie closer East and West Germany."

East Germany's main Communist newspaper, Neues Deutschland, yesterday blasted a declaration on Germany and Berlin by Chancellor Helmut Kohl's Christian Democrat parliamentary group which said Berlin would prove whether Moscow really wanted detente. The statement urged a "dynamic development" of West Berlin's ties with Bonn and the European Community.

Austrian bank chief fined for perjury

BY JUDY DEMPSEY IN VIENNA

DR HANNES ANDROSCH, managing director of Creditanstalt-Bankverein, Austria's largest bank, was fined Sch 1.08m (£51,400) yesterday after a Vienna court found him guilty of perjury.

The court's decision raises doubts about Dr Androsch's future role in Creditanstalt. Already, Mr Helmut Kukacka, general secretary of the Conservative Party, has called for Dr Androsch's resignation.

"I expect Dr Androsch to resign voluntarily. If he does not do so, then the bank's supervisory board must suspend him. A managing director who has been convicted is unacceptable for the biggest state-owned bank and unacceptable for the Austrian Republic."

Dr Androsch, 47, a former Finance Minister in the Socialist government from 1970-1981, Vice-Chancellor and at one time tipped to be Chancellor of Austria, was convicted of lying while testifying in 1981 to a parliamentary inquiry committee.

The committee had been set up to investigate allegations of corruption into the building of the Allgemeine Krankenhaus (AKH), a large hospital complex in Vienna and other financial irregularities.

Dr Androsch had been under investigation since 1985 after comments he had made to the parliamentary committee concerning his personal finances.

The court yesterday found Dr Androsch guilty of lying about his bank account to the tax office. In particular he had withheld details about a second account as well as lying about a number of bonds which he had previously said were not his.

He was cleared of lying about holding a stake in Oekdata, a planning company involved in the construction of the AKH.

Creditanstalt would not comment on Dr Androsch's future. The bank's supervisory board will meet next week to decide Dr Androsch's position.

ATR 42 flights resumed

BY DAVID LANE IN MILAN

ATI, a subsidiary of Italy's state airline Alitalia, is to resume flights with the twin-prop ATR 42 aircraft. These were suspended in October following the crash of an ATI flight from Milan Linate to Cologne in which 37 people died.

The flights resume next Monday on the Milan-Florence route. Crews are being retrained and Alitalia expects a gradual resumption of services on nine national and seven international routes.

It is widely believed that October's crash near Como, the first involving an ATR 42, was caused by icing problems

The return to service of ATI's six ATR 42 aircraft follows changes to the aircraft's operating procedures. No equipment changes have been made to the grounded aircraft. The airline says that safety margins have been increased by altering the aircraft's speed when ice is likely to form.

EC-Turkey trade deal approved

By Tim Dickson in Strasbourg

THE EUROPEAN Parliament yesterday drew back from using its newly acquired constitutional powers to block a trade agreement with Turkey. Its endorsement of the pact was greeted with relief by the European Commission, which had warned that rejection would harm Community relations with an important trading partner and force a new round of negotiations with Ankara.

Similar protocols with Israel – also under the Parliament's new "assent procedure" and involving Ecu 63m (£39.7m) of European Investment Bank loans – will now be considered next month after the external relations committee decided, ostensibly on procedural grounds, to take this item off the agenda. It is understood that both pro-Israeli and pro-Palestinian members of the Parliament were anxious that the issue should not be forced to a vote yet because of the upsurge of violence in the occupied territories.

The Turkish protocols are largely technical amendments to the existing EC/Turkey association agreement which were necessary following Spain's and Portugal's entry into the Community. But the issue had been given a strong political dimension because of the Parliament's concern about human rights in Turkey.

It was also seen as a major test of the Parliament's new powers under the Single European Act to stop trade agreements coming into effect if there is an absolute majority of 260 votes against.

Mr Jacques Mallet, chairman of the Parliament's external economic relations committee, and Mr Rudi Arndt, chairman of the Socialist group, both urged approval of the Turkish protocols. Mr Arndt stressed that this was not a positive commentary on the Turkish Government or its human rights record.

Greece seeks to block EC aid to Ankara

By Andriana Ierodiaconou in Athens

GREECE is challenging the legality of a European Community decision to release Ecu10m (£6.9m) in financial aid to Turkey, the Greek Minister for EC Affairs, Mr Theodore Pangalos, said yesterday.

The Ecu10m is the remaining part of an aid package approved before Greece joined the Community in 1981. Athens consequently cannot challenge the decision. However, it is objecting to the timing of the release of the funds.

Next week, the European Court will consider evidence both on that case and on a related Greek challenge to a Commission decision to transfer funds earmarked for Turkey from one budgetary financing channel to another.

Greece has actively opposed on human rights grounds a revival of the 1963 Turkey-EC association treaty which was effectively frozen after the 1980 military coup. Athens cites in particular the continuing Turkish occupation of parts of Cyprus, which is also linked to the Community by an association agreement.

Athens is in addition spearheading resistance to Turkish accession to the EC. The Greek position remains unchanged despite an easing of bilateral tension over the past 10 months. The Greek and Turkish Prime Ministers are expected to meet at the end of this month.

Signs of wear and tear in Spanish Socialists' party clothes

David White in Madrid previews the PSOE's congress this weekend

SPAIN's ruling Socialists face a congress this Friday with the sensation that their party is going through a critical phase which would seem to imply some rethinking of policy. Yet there is little prospect that fundamental change will result from the meeting.

After five years in power, the longest period that any left-oriented administration has held on without serious upset in Spain, the Spanish Socialist Workers' Party (PSOE) is showing signs of wear and tear. Relations are at a low ebb between its sister trade union and the Government, there is restiveness on the left and in the regions, and a good deal of head-scratching about where it is going.

But for all the noises of crises and divisions, neither the leadership nor the bent of Government policy is under threat. While some changes are planned in the PSOE executive, the Prime Minister, Mr Felipe Gonzalez, party leader for more than 13 years, is beyond any challenge.

Last week's outline agreement with the US, for withdrawal of American fighter aircraft from Torrejon base outside Madrid, makes his position all the more cosy. The triple promise he made at the last PSOE congress three years ago – to hold a referendum on Nato membership, to stay out of the alliance's military command structure, and to reduce US forces – has now been fulfilled, boosting his credibility and lessening the risk of embarrassing motions being put to the meeting.

On economic policy, the attacks made by unionists and PSOE "critics" against Mr Carlos Solchaga, the Finance Minister, for the rigidness of the Government's free-market stance and its pursuit of wage moderation have brought no indication that Mr Gonzalez is prepared to change tack.

The Government is vulnerable on the country's 3m unemployment figure, but Mr Gonzalez can and will argue that the trend has turned and that jobs are now being created and not lost.

Electorally the PSOE's strength has slipped from the 48 per cent scored in its first national victory in 1982 to around 40 per cent. Although its outright parliamentary majority, reduced in 1986, could disappear at the next general election, as has already happened at local level in numerous regions and town councils, the PSOE is still leagues ahead of its rivals. Its main political problems are its own.

The party suffers from a follow-my-leader syndrome. Power is concentrated in the hands of two men, Mr Gonzalez and his Vice-Secretary-General and Vice-Premier, Mr Alfonso Guerra, who emerges from the shadows at times of elections and congresses. An effort to set up the ambitious Basque politician, Mr Jose Maria "Txiki" Benegas as number three has not been a great success.

Regional leaders accustomed to feeling powerful in their own bailiwicks, but carrying little weight in the party hierarchy, have been growing impatient. Figures such as Mr Ricardo Garcia Damborenea, PSOE chief in Bilbao, and Mr Joaquin Leguina, head of the Madrid regional government, have broken ranks on several issues. The party also has to cope with a new "federalist" platform from the Catalan Socialists, who have suffered in recent years from not being able to present themselves as champions of the Catalan cause.

The family squabble brewing between the Socialist UGT trade union and the Government, which had already erupted over issues such as pensions, reached its peak in October when the UGT leader, Mr Nicolas Redondo, the embodiment of open-shirt socialism, protested against public sector pay proposals by resigning his PSOE seat in Parliament. All eyes will be on Mr Redondo's appearance on Sunday. But the Government sees the crisis as affecting the UGT more than the party, and the quarrel is expected to make little impact on the congress proceedings.

The PSOE leadership has broken with some other figures who helped to relaunch the party under Mr Gonzalez in 1974. Mr Pablo Castellano, a leader of its left-wing faction, Socialist Left, handed in his party card after making ill-considered allegations against Mr Benegas. However, Socialist Left and "critics" within the majority account for barely a sixth of the delegates at the congress.

"We who dissent from the majority party line do not have sufficient strength to impose our ideas," Socialist Left's Mr Antonio Garcia Santesmases admitted.

The congress is being held under the slogan "Winning the future," but the broader questions of the future of socialism are set aside for another conference to be held later, under the heading "Programme 2000." Mr Gonzalez believes the party is not yet ready to draw up a new strategy, but only to start thinking about the options.

What this weekend's congress *will* confirm is the shift away from the workers' party that the PSOE traditionally was. As in France's Partie Socialiste, teachers and lawyers predominate among the delegates.

Recent recruitment has been largely from the middle class, leading to a parting of ways with the UGT, which has been struggling to increase its influence among managerial staff and civil servants.

The other feature, not lost on the opposition press, is the number of Socialists on the government payroll in either elected or appointed jobs – between 70 and 80 per cent of the 861 delegates.

"The only problem there will be in this congress," said the UGT's mineworkers' leader, Mr Jose Antonio Saavedra, "is parking – there will be nowhere to leave all the official cars..."

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OVERSEAS NEWS

Manila to the rescue of maids overseas

By Richard Gourlay in Manila

THE Philippine Government took a first step yesterday towards protecting domestic maids who seek a brighter future abroad and find their dreams dashed by abusive employers.

After reports of sexual harassment, the cabinet agreed to suspend the export of Filipino labour – particularly female labour – until host countries had guaranteed corrective measures.

"There will be a gradual lifting (of the ban) for countries in which the rights and human privileges of Filipino workers are respected," Mr Teodoro Benigno, the presidential spokesman said.

Last week Mr Alunan Glang, Philippine ambassador to Kuwait, said his embassy was swamped by maids complaining of rape and other maltreatment, of contracts being torn up and wages slashed and of how they are not protected by Kuwaiti law.

The Government has yet to produce guidelines for the suspension, and the cabinet did not say when they would take effect.

It is likely to draw up treaties with the governments of the main host countries, particularly in Africa and the Middle East, designed to protect unskilled labourers.

The ban is likely to exclude workers already abroad and those destined to work for royalty, diplomats and government officials.

Each year 82,000 maids leave the Philippines, lured by the chance to earn up to ten times their domestic wages, much of which they try to repatriate to their families. More than 30,000 women are maids in Hong Kong.

They follow a precarious route, often strewn with unscrupulous middle men and dubious employment agencies which skim "commissions" for repatriating money or simply disappear with finders' fees.

Repatriated earnings of overseas workers, including maids, are still the country's largest net foreign exchange earner.

The days of financial district land selling at $140 for a square foot are over

Tokyo property prices start to fall

BY CARLA RAPOPORT IN TOKYO

PROPERTY prices in Japan, which has the highest property prices in the world, are dropping.

According to Japanese real estate companies, Tokyo property prices have fallen on average by about 20 per cent from their peak reached last September, with some properties on sale at 30 to 50 per cent below this highest value.

Despite this heavy discounting, much of the market is now frozen, with buyers sitting on the sidelines waiting for prices to stabilise. According to Japan's Real Estate Association, the volume of property trading hands in November and December last year dropped by about 30 per cent compared with the previous year.

The fall marks the end of the most spectacular property boom in recent Japanese history. Spurred by speculative fever and an extraordinary demand for Tokyo's limited office space, property prices in Tokyo soared over the past two years.

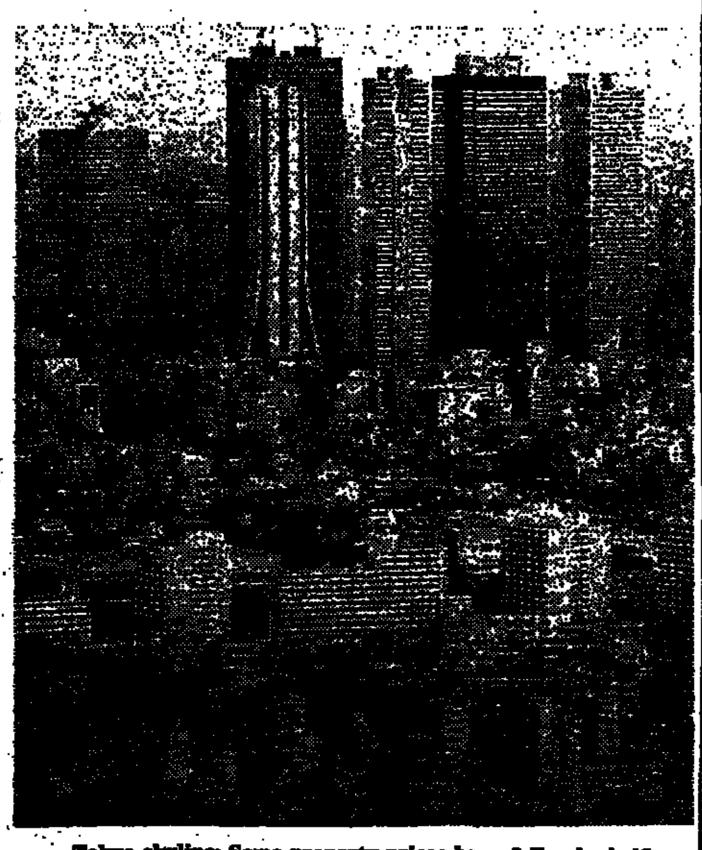
At the peak last summer, a square foot of land in central Tokyo was changing hands at as much as Y18,000 ($140).

Since then, however, a number of developments have conspired to take the fizz out of the Tokyo property market. First, the Government has imposed a steep capital gains tax on individuals who sell land held for less than two years. Second, as of April last year, any proposed transaction of more than 500 square metres inside Tokyo must be submitted to the metropolitan government.

Also, the Ministry of Finance now requires all property finance lending to be reported. This has had the prompt effect of slowing bank lending to speculators. Japan's Real Estate Association says that the reduction in bank lending is the main reason for the market's recent reverse.

Mitsui Real Estate, Japan's largest property company, predicts that the downward trend in prices could last until the summer, while others expect it to continue until the end of the year. Mitsui points out that the declines have only affected secondary locations, not prime sites such as the main streets of the Otemachi business district. These areas, however, are extremely limited in Tokyo.

Despite the reversal, the market will have to drop much further before Tokyo prices fall into line with those of other major capitals. The National Land Agency reported that prices were up 93 per cent in the year to last July for residential property, with commercial property up 79 per cent.



Tokyo skyline: Some property prices have fallen by half

Limited success for Dhaka strikers

By Sayed Kamaluddin in Dhaka

A DAWN-TO-DUSK general strike disrupted Bangladesh yesterday.

It was called by the main opposition parties to try to prevent candidates from submitting their nominations for parliamentary polls called by the beleaguered Government for March 3. The opposition is boycotting the polls, insisting that President Hossain Ershad should step down as a precondition for any elections.

The strike passed off without serious incident but people filing nominations appeared to have had no difficulties since no pickets appeared at the downtown Dhaka centre where nomination papers were being received. Earlier in the morning, small groups of students picketing in the streets were quickly driven back by substantial police forces.

Two buses were damaged by demonstrators near the city centre. A military jeep was also chased and stoned by a group of agricultural college students.

The opposition's strike programme includes dawn-to-dusk strikes today and Saturday but not Friday.

Strauss starts tour of southern Africa

BY ANTHONY ROBINSON IN JOHANNESBURG

PRETORIA'S favourite western politician, the conservative Bavarian leader Mr Franz-Josef Strauss, flew in to a red-carpet welcome at Cape Town airport yesterday.

He was met by Mr Pik Botha, the South African Foreign Minister, at the start of a 10 day tour of southern Africa which will include talks in Maputo with Mr Joaquim Chissano, the President of Mozambique, and a visit to the former German colony of South West Africa.

Three weeks ago Mr Strauss met Mr Mikhail Gorbachev, the Soviet leader, in Moscow. That encouraged speculation in South Africa that Soviet attitudes to Africa, and especially the conflict in Angola, will figure prominently in talks with president P.W. Botha, General Magnus Malan, the defence minister, and Mr Pik Botha.

Mr Strauss's visit, at the request of Chancellor Helmut Kohl, is part of an awakening German interest in an area where America's "constructive engagement" policy has been weakened by US disinvestment and inability to secure a Soviet-Cuban withdrawal from Angola.

The latest visit follows foreign minister Hans-Dietrich Genscher's trip to Senegal and Angola in October and the Mr Kohl's own visit to Kenya, Cameroons and Mozambique at the end of last year.

Mr Strauss, a strong opponent of sanctions and disinvestment, is the most senior western leader to visit South Africa since Sir Geoffrey Howe, the UK Foreign Minister, made his abortive visit 18 months ago in the aftermath of the Commonwealth eminent persons group fiasco.

Mr Strauss, whose conservative views have endeared him to a government longing for praise and encouragement, last visited in April 1984 when he opened the new BMW motor car factory near Pretoria.

The plant is the Bavarian-based company's only non-German man factory.

During his current visit the Bavarian leader will meet managers of West German engineering, chemical and electrical companies like Siemens who have invested heavily in South Africa.

Mercedes Benz, Volkswagen and BMW also have plants here and share the car market with locally assembled Japanese models.

Direct investment and trade have made West Germany the biggest single exporter to South Africa. Its 1986 exports of $1.94bn were 16 per cent of all imports.

Pressure on riyal forces rise in interest rates

BY RICHARD JOHNS

HEAVY speculation against the Saudi Arabian riyal, following the cancellation of new austerity measures planned for inclusion in the 1988 budget, pushed up interest rates within the Kingdom yesterday.

Bankers are sceptical, however, whether the Saudi Government is contemplating a devaluation of the riyal from the present rate of 3.75 to the dollar as a means of increasing revenue in local currency. The intention would be to make good any shortfall in revenue resulting from the climbdown involved in the revoking of income tax on expatriates' salaries, and a dozen other levies and higher charges for public services, tariff increases and reductions in subsidies.

More than three-quarters of projected revenue of SR105.3bn this year (as opposed to expenditure of SR141bn with the balance to be met from borrowing and a rundown of reserves) would be in the form of dollars from oil revenue and investment income.

While the credibility of the Government's economic policies has been damaged by its rescinding of measures, it would still be reluctant to suffer what it would regard as the loss of face involved in a devaluation of the riyal, according to bankers in the Kingdom and others closely involved with it.

Apart from that, a devaluation would raise the cost of imports on which Saudi consumers are heavily dependent. Government concern on that score was reflected by the decision to revoke planned increases in customs duties.

The riyal's parity is closely linked to the dollar and has for that reason undergone a gradual erosion over the past five years.

Kenyan GDP runs out of steam

KENYA'S economy, after recording its strongest growth in a decade in 1986, began to lose steam last year, according to the Central Bank of Kenya, Reuter reports from Nairobi.

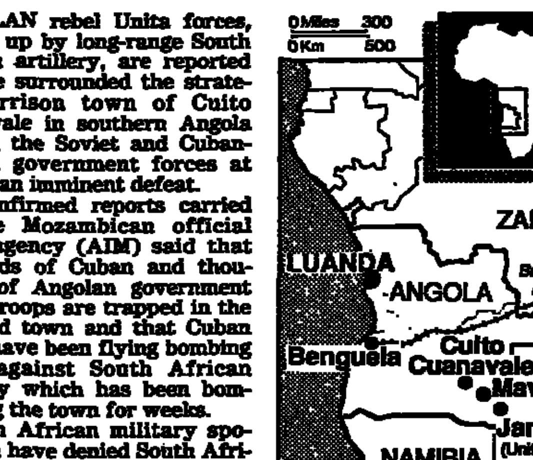
The bank, in its annual report for the fiscal year ended last June 30, also pointed to a renewed upturn in inflation and expressed concern over the country's balance of payments sliding into the red again.

"Prospects for 1987 and 1988 are less favourable than in 1986," according to the bank's report, published on Tuesday. It said gross domestic product, after offsetting inflation, was expected to show growth of 5.2 per cent for 1987 after 5.7 per cent in the previous year.

Kenya's exports suffered from a collapse in world coffee prices in 1986 and depressed tea prices since 1984 while the cost of imported oil has nearly doubled since mid-1986.

Unita besieges Angolan town

BY ANTHONY ROBINSON IN JOHANNESBURG



ANGOLAN rebel Unita forces, backed up by long-range South African artillery, are reported to have surrounded the strategic garrison town of Cuito Cuanavale in southern Angola putting the Soviet and Cuban-backed government forces at risk of an imminent defeat.

Unconfirmed reports carried by the Mozambican official news agency (AIM) said that hundreds of Cuban and thousands of Angolan government Fapla troops are trapped in the fortified town and that Cuban pilots have been flying bombing raids against South African artillery which has been bombarding the town for weeks.

South African military spokesmen have denied South African involvement, claiming that Unita forces alone are involved.

Western diplomats, however, confirm that Cuito is under siege and that South African G-5 and G-6 long-range cannon with a range of up to 35km have been bombarding the town.

Diplomats suggest that the aim of the offensive is to destroy Cuito's sophisticated Cuban-manned radar installations and make the airfield unserviceable rather than occupy the town and risk heavy losses in any future counter-attack.

Cuito is the last in a line of fortified towns south of the Benguela railway. It served as the launch point for last year's annual dry season offensive by government Fapla forces against the Unita-held town of Mavinga. This advanced base is 250km north of the Unita bush headquarters of Jamba, in the extreme south-eastern corner of southern Angola.

The Fapla offensive which began in August was preceded by a major build-up of Soviet-supplied weapons, including sophisticated fighter bombers, helicopter gunships and tanks. It was halted on the Lomba river 25km north of Mavinga by Unita forces equipped with US-supplied Stinger missiles and backed by South African mobile forces and aircraft.

More than 20 South African soldiers were killed

Independence leader dies in Peshawar

ABDUL Ghaffar Khan, renowned in India for helping to win freedom from the British but less popular in his native Pakistan for opposing its independence, died in Peshawar yesterday, aged 98, AP reports.

Mr Rajiv Gandhi, the Indian Prime Minister, flew to Peshawar on an Indian air force aircraft to pay his respects. It was the first visit to Pakistan by an Indian Premier for 28 years.

In a statement released in New Delhi, Mr Gandhi said: "The last of the towering giants of our freedom movement has gone. He was respected and loved for his uncompromising integrity, courage and sacrifice."

Ghaffar Khan, a Moslem, joined Mahatma Gandhi and Jawaharlal Nehru, both Hindus, in leading India's struggle to win independence from Britain.

AMERICAN NEWS

Argentine debt swap scheme launched

BY OUR BUENOS AIRES CORRESPONDENT

THE ARGENTINE Government yesterday launched a long-awaited debt capitalisation scheme as officials said the president of the central bank, Mr Jose Luis Machinea, would return to the US next week to continue negotiations on new funds to meet foreign debt interest payments shortly falling due.

Officials said the central bank opened an initial tender for $50m in bids, to convert the debt via 13 projects put forward by private sector companies in the oil, petrochemical and textile industries.

The tender is the first instalment of a $300m phase of the debt swap programme for the year ending in June. A total of $1.9bn in debt is to be put up for offer under the scheme during the next five years in annual instalments of $400m starting next July.

The bid call was originally scheduled for January 11, but was postponed as economic officials flew to Washington for debt crisis talks with the IMF, the World Bank and the US amid mounting concern over Argentina's ability to meet interest payments coming due this quarter.

Mr Machinea and other officials have since claimed that the Government is making progress towards securing new funds to avoid a default on interest payments still pending from last year or falling due before March.

Estimates suggest Argentina is $490m in arrears from the end of last year, although it has been able to roll this over under a standard 90-day grace period from banks up to the end of this quarter.

But private sector analysts warn that freely available official reserves now stand at little more than $500m, and more than $400m is due for payment of interest and capitalisation of Argentine state bonds issued by the military regime. Those payments are due on February 15, bankers say, and cannot be avoided even though they will effectively soak up the available reserves.

Government officials are optimistic that approaching talks in Washington with the IMF and banking creditors will secure sufficient funds, not least because of the impact a debt interest default would have on the capitalisation scheme. The Government, which originally wanted creditors to match a dollar in new investment for each dollar of debt capitalised, has since conceded a more "attractive ratio" of 70-30, bankers say.

Rico rebellion civilian takes refuge in embassy

BY OUR BUENOS AIRES CORRESPONDENT

A CIVILIAN who is thought to have joined ex-Lieutenant Colonel Aldo Rico's unsuccessful insurrection was yesterday reported to be inside the Paraguayan embassy in Buenos Aires seeking political asylum.

Mr Oscar Castrogiovanni, who is known by the pseudonym Castroge, was seen last Friday throwing pamphlets and cheering Lt Col Rico when the renegade army officer began his defiance of the Argentinian high command

Eyewitnesses say they also saw him on Monday at the Buenos Aires municipal airport when it was taken over for four hours by rebel air force officers and civilian sympathisers. Eight civilians face legal proceedings over the incident, but the Foreign Ministry said yesterday there was no warrant for Mr Castrogiovanni's arrest.

The Paraguayan ambassador, Mr Miguel Angel Bestard, was in contact with senior ministry officials to establish Mr Castrogiovanni's legal status. Mr Castrogiovanni, known for his fascist sympathies, came to note in 1984 when he took over a radio station to read out a nationalist statement marking the anniversary of the Argentine invasion of the Falklands

He was also present when nationalist protesters broke up a press conference held by three British parliamentarians at Buenos Aires' Plaza Hotel in 1984 during a visit to open contacts with Argentine political leaders.

Nicaragua frees 11 opposition leaders

By Peter Ford in Managua

ELEVEN LEADERS of Nicaragua's most conservative opposition groups, who were arrested on their return to the country from secret meetings with chiefs of the anti-government Contra rebels in Guatemala, have been released.

The opposition leaders had agreed at the meetings to press for inclusion in forthcoming talks between the Contras and Nicaragua's Sandinista government.

Accused of plotting to set up an internal political front for the Contras, they were all nonetheless released without charge on Tuesday after interrogation.

The talks follow last weekend's Central American central summit, when Central American leaders pledged to carry out immediately pending reforms under the Esquipulas peace plan.

As part of the reforms, President Daniel Ortega lifted Managua's state of emergency on Tuesday, restoring full constitutional rights for the first time in six years.

In another decree, President Ortega also abolished the notorious anti-Somocista People's Tribunals, which had been condemned internationally as political kangaroo courts.

By revoking the state of emergency, the Sandinista Government has re-established rights such as habeas corpus, due legal process, freedom of association ans the right to strike.

President Ortega offered a series of concessions at the recent summit in a clear bid to persuade the US Congress not to approve more aid for the Contra rebels. Congress is due to vote on President Reagan's forthcoming request for such assistance early in February.

Observers here doubt, however, whether the full effect of lifting the state of emergency will be felt by them.

Opposition political and trade union leaders say it will take them several weeks to fully flex their muscles after years of restrictions on their activities.

Stewart Fleming reports from Pocahontas, Iowa, on Robertson's presidential trail

A tidy whistle-stop tour in a white-out

A BLIZZARD is sweeping into Iowa from across the northern plains and engulfing the cavalcade of a score of buses and vans and accompanying police cars winding slowly across the northern half of the state in a near white-out with visibility on the road down to a few hundred yards.

But outside Kerry's restaurant in the tiny town of Cherokee an honour guard of Second World War veterans stands patiently in the snow next to a handful of supporters of Mr Pat Robertson, the former television evangelist, awaiting the arrival of the ardent conservative Republican presidential candidate.

After a 300 mile bus journey from the extreme east of Iowa in Davenport to Sioux Falls, Mr Robertson's campaign caravan of campaign staff, supporters, secret service agents and reporters had arrived in Sioux Falls the previous night at 9.40 pm on time to the minute as his staff proudly announced. This morning, although they would ultimately fail, his meticulous campaign organisers were determined to try to get ahead of the advancing storm to avoid losing a whole day of campaigning and to complete the 27 stops on the trail.

With only three weeks to go until the Iowa caucuses, the opening of serious hostilities in the 1988 race to replace President Ronald Reagan at the White House, the man who is running third in the Iowa polls and has raised and spent close to $14m so far in the campaign, wants nothing to dent the image his campaign is presenting.

It is an image which more and more Iowans will be seeing in the next two weeks. In what amounts to a declaration of media warfare Mr Robertson, a candidate with a narrow but fervent political base across the country, has just announced that before the caucuses he will air six half-hour advertisements on network television to viewers in the state as well as the innumerable 30 second slots which are already being broadcast in Iowa.

Ms Connie Snapp, his petite Director of Communications, refuses to say how much they will cost, but clearly tens of thousands of dollars will be lavished on the programmes.

The 600-mile cavalcade across the state and back is another meticulously-planned image-building effort. The candidate is travelling in one bus, a modified version of the transcontinental behemoths made famous by Greyhound Corporation, a dozen accompanying reporters in another and, in a third, staff and supporters such as Mr Richard Fite, a labourer from Cedar Rapids in the eastern half of the state who has taken time off work to accompany the caravan.

Robertson: fervent call

When advance men report that a crowd at the next rally is looking thin the campaign managers have to decide how to offset this negative. Among Mr Robertson's goals in the whistle-stop tour is to demonstrate (to his own as well as to the media's satisfaction) that his organisation can turn out supporters, as well as to lift the morale of his supporters themselves by showing that the campaign has momentum.

Since he is bringing a core of supporters along with him in one bus, as well as campaign banners and placards, one option is to send some of the faithful on ahead so that when the candidate and the media roll into town, he is given an enthusiastic welcome. His staff, oddly, deny that this is happening, saying to reporters that the familiar faces in the smaller crowds along the way must be drivers.

At Pocahontas the strategy is different. The rally is moved outdoors into the blizzard, presenting a snowy scene attractive and interesting to the television cameras. This conveys not only the depth of commitment of his supporters but also the determination of the candidate. There is laughter on the press bus when reporters learn that Representative Jack Kemp, Mr Robertson's conservative rival, has cancelled campaigning for the day.

The careful planning of the cross-country tour is an impressive demonstration of organisational strength. The port-a-crowd dimension cannot obscure the fact either that the former Christian minister's campaign is based on more than the ability to plan a rally. Although at some of the 27 stops on the route no more than a couple of score of supporters turned out (albeit in at times appalling weather) at others he drew between 100 and 200 prospective voters.

By the standards of rallies for the Iowa caucuses, the beginning of the process of national convention delegate selection in the state, such crowds are impressive. Moreover many of Mr Robertson's backers are evangelical or fundamentalist Christians drawn to his campaign by his religious background and moral message, and bringing to it more than mere political commitment.

What impact will he have on February 8? His rivals wish they knew and are busy trying to find out. At a Robertson rally in Ames, Iowa, on Monday several top staff members for Senator Robert Dole's Iowa campaign turned up to make an on-the-spot assessment on behalf of the front-runner in the polls. If those polls are right, however, it is Vice President George Bush, whose ratings have been sinking, and Rep Jack Kemp, who is also seeking the evangelical vote, who should be more worried.

Brazil boosts trade surplus to over $11bn

BRAZIL achieved an $11.15bn trade surplus in 1987, sharply up on the $8.33bn of the previous year and a marked improvement on forecasts that at one stage predicted just $9.5bn, Ivo Dawnay reports from Rio de Janeiro.

The figures, announced by the official government trade agency, Cacex, also show that processed goods have risen to account for 70 per cent of the $26.2bn export total, against 30 per cent for raw materials and commodities.

The country's trade performance has proved the one bright spot in an otherwise gloomy economic outlook. In part, the success of Brazil's export efforts has owed something to the decline in consumption at home as inflation – now at about 15 per cent a month – and reduced purchasing power have ravaged domestic sales. Cacex forecasts a surplus of $10.5bn for 1988.

US INFLATION RATE EASES

Contradictory signs behind the statistics

BY ANTHONY HARRIS IN WASHINGTON

THE inflation rate in the US is easing, for the time being at any rate, despite a rapid structural change which is straining *industrial capacity, and threatening* a tight labour market, while the key construction industry is suffering something near a slump.

These apparently contradictory pointers emerge from the latest batch of US economic statistics, and help to explain the sharp divisions over economic policy which persist in the Administration.

The inflation numbers, which show the cost of living rising at an annual rate of 3.2 per cent in the most recent quarter, sharply down from a year-on-year increase of 4.4 per cent, are a pleasant surprise.

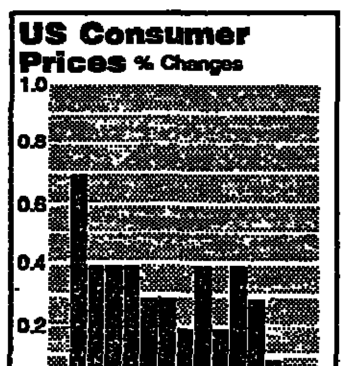
Even Governor Wayne Angell of the Federal Reserve, who has emerged as the leading spokesman of the hard money school of thought, conceded that the recent trends are encouraging, although he called at a meeting of the American Bankers' Association for "very slow and *steady" money growth.*

His concern over inflationary pressures appears to be contradicted by the fall in the producer price index announced at the end of last week.

But on the same day the Federal Reserve itself announced a further rise in the index of capacity utilisation to 82.2 per cent, another eight-year high.

This index is widely thought to understate the actual strain on productive capacity, since it may not adequately measure the scrapping of outdated capacity in recent years.

On the other hand the monetarists in the Adminstration, represented in the Cabinet by the Chief Economic Adviser, Mr Beryl Sprinkel, regard current monetary growth, which has slowed to a standstill in the last three months, as a warning of recession, in line with the consensus of economic forecasters.



New evidence in support of this fear is the continued sharp slump in private housebuilding. December starts, at an annual rate of 1.37m, are 16 per cent below the November rate – sharply down, even allowing for the large uncertainty in this *small-sample survey.*

The fall from December 1986 is 24 per cent. Applications for building permits are even more sharply down, with the fall concentrated mainly in apartment building.

The housing figures are further evidence that consumer confidence has fallen quite sharply since the October 1987 stockmarket crash, though not *as sharply as many observers* had feared.

Retail sales in December showed only modest growth in money terms, partly because of the unusually heavy discounting by retail chains which feared that they were overstocked. Car sales, on the other hand, have been running slightly above their 1986 rates.

Tokyo attacked by EC over growing surplus

BY WILLIAM DAWKINS IN BRUSSELS

THE European Commissioner for External Trade, Mr Willy de Clercq, yesterday attacked Japan over the continued growth of its trade surplus with the European Community. The gap widened last year despite Tokyo's promises to open its domestic market.

Speaking a day after Japan's trade figures were published Mr de Clercq said last year's 4 per cent growth over 1986 in Japan's trade surplus with the EC to Yen 2,938bn ($12.7bn) was "totally unsatisfactory" especially when its surplus with the rest of the world, especially the US, had declined in yen terms.

De Clercq: strong words

The latest twist in the EC's worsening trade relations with Tokyo comes after a large number of EC anti-dumping actions were initiated against Japanese products over the past year.

In dollar terms Japanese trade with the US grew, rather than shrank because of the US currency's weakness, but the EC takes more notice of the yen figures because the Japanese currency's links with European currencies are more stable.

"These figures give credit to the suspicion that Japan attributes more importance to US pressure and that it is ready to make concessions to that country which it is not ready to offer the Community... clarification from Japan on this is urgently needed," said Mr de Clercq.

He warned that the Community would now be stepping up pressure on Tokyo to open its markets further to European companies.

Community exports to Japan actually rose by 8.7 per cent to Y2,552bn between 1986 and 1987, but that was not enough to overtake the increase in Japanese sales to the EC, up by 6.1 per cent – from a much higher base – to Y5,490bn.

Meanwhile, Japan's surplus with the US slipped by 12.4 per cent in yen terms.

US on verge of 'major expansion' of exports

BY NANCY DUNNE IN WASHINGTON

THE US is on the verge of "a manufacturing renaissance" and "a major expansion of exports" which will result in the return of many markets lost when the dollar was high, Mr Clayton Yeutter, the US Trade Representative, said yesterday.

He warned that US trading partners had better be prepared for a fall-off in their own exports and to undergo structural adjustment as the US had.

Mr Yeutter said the underlying fundamentals were "much better than the numbers." Exports were at an all-time high even though many US companies had "just begun to reactivate their export efforts".

He threw in a cautionary note. The improvement will be evident in volume figures but may not show up in the value statistics for some time. "The J curve still lives and you can see it each time there is a ratcheting down of the dollar," he said.

But Mr Yeutter said he now had a stronger case to present to Congress when it returns to its work on this session's massive trade bill. "A lot of elements of that bill should be jettisoned," he said. He will argue that most of US growth in the next year will be in exports, while domestic demand is likely to slow.

Taiwan to allow direct trade with E Europe

By Bob King in Taipei

THE TAIWAN Government has approved two controversial proposals which will further liberalise the country's trade practices.

The cabinet yesterday agreed to allow direct trade with Eastern Europe, and Parliament slashed duty rates on imported cars from 55 per cent to 42.5 per cent.

Taiwan companies will now be allowed to trade directly with East Germany, Poland, Czechoslovakia, Hungary, Yugoslavia, Bulgaria, and Romania, and indirectly with the Soviet Union and Albania.

Traders will have to apply for import or export licences from Taiwan's foreign trade board. Imports may include industrial raw materials, machinery and semi-finished products, as well as a limited range of consumer goods.

Taiwanese traders will require the approval of the foreign trade board before visiting the East bloc, and Eastern European traders may pick up Taiwan visas from Taiwanese diplomatic missions and unofficial bodies abroad.

Despite its staunchly anti-Communist stance, the Taiwan Government has allowed indirect trade with various East bloc countries for several years. It has decided to upgrade links in an effort to further diversify its international trade and counter reduced competitiveness in the US, its major export market, because of the strong Taiwan dollar.

Taiwan's trade with Eastern Europe is believed to have more than doubled during the first 10 months of last year to around $202m. But purchases by the East bloc in 1986 made up only 0.1 per cent of Taiwan's total exports, and imports from that area amounted to only 0.4 per cent of Taiwan's total.

In a related development, Parliament reduced the tariff on imported passenger cars to 42.5 per cent, thus making imports even more attractive to Taiwanese consumers.

Imports accounted for a hefty 20 per cent of sales last year.

Bonn backs Airbus sales to East bloc

BY DAVID MARSH IN BONN

THE West German Government is throwing its weight behind efforts to sell Airbus airliners to Eastern Europe as "an indirect means of improving East-West co-operation," according to Mr Erich Riedl, parliamentary state secretary at the Economics Ministry.

Mr Riedl, in charge of co-ordinating Bonn's governmental programmes in the aerospace industry, said in an interview that talks between Airbus Industrie and East European states, above all Hungary and East Germany, was a sign that "the wind from the East has changed."

Sales of Western airliners to the East bloc have been limited to China and Romania, so the talks open up a new chapter in the international aircraft business.

Mr Riedl, a Bavarian, is a confidant of Mr Franz Josef Strauss, the Bavarian Prime Minister and chairman of the Airbus Industrie supervisory board. He was brought into the Economics Ministry job last year at the behest of Mr Strauss to seal Bonn's political backing for the increasingly costly Airbus venture.

He said that Boeing of the US was also talking about East bloc deals. Poland, in spite of its serious debt problems, has expressed interest in the Airbus and is believed to be relatively advanced in such US talks, Economics Ministry officials say.

But, because of financing difficulties, negotiations on selling or leasing aircraft to the East bloc would take some time, Mr Riedl said.

He added that Airbus Industrie – a consortium linking aircraft manufacturers of France, West Germany, Britain and Spain – also had a good long-term chance of selling aircraft to the Soviet Union.

He could not confirm reports that negotiations were going on with Moscow, but said that talks between Airbus and East Germany were a sign that "Moscow has said yes" to the general idea of East bloc sales.

East Germany is looking at the wide-bodied A-310 airliners, while Hungary is believed to be interested in the new narrow-bodied A-320.

Mr Riedl said the Communist states were attracted by the technological advantages and fuel efficiency of the Airbus. The aircraft would help spur East bloc tourism and enable Eastern airlines to meet new international airport noise regulations. One reason for East German keenness for the Airbus was to provide a long-haul aircraft to places like Cuba and Angola.

He stressed that the Bonn Government was not involved directly in talks with Eastern Europe. Additionally, with an eye on US allegations of unfair European government funding for Airbus, Mr Riedl said East Germany and other Communist states would have to find from international markets financing for any deals.

Mr Riedl added that any East bloc deal would have to be vetted by CoCom, the Paris-based organisation checking technology transfers to the East bloc. But he did not think Airbus would give the Soviet bloc any advance in militarily sensitive technology.

Other Economics Ministry officials take a more cautious line, pointing to potential problems with CoCom, above all over transfer of advanced-technology Western aero-engines. One solution would be for Communist airlines to undertake that maintenance and dismantling of sensitive technological equipment would be carried out only in the West, officials believe.

West German government subsidies for Airbus are being driven upwards by the dollar's fall and heavy competition from Boeing. Mr Riedl left open the possibility that Bonn budgetary support for the new A-330 and A-340 Airbus programmes would have to be revised upwards, depending on the dollar's trend.

Although he declared himself optimistic about difficulties over the US currency, he said that if the dollar remained at around DM1.50-DM1.60 over the long-term this would have budgetary consequences.

Mr Riedl also said the Government hoped Airbus would still be able to co-operate with US aircraft makers to lower production costs for the US market.

Hong Kong's toy makers play hunt a nimble seller

David Dodwell in Hong Kong reports on worries in the toy industry over falling US demand for its products

IN 1984 it was the Cabbage Patch Kids which brought riches to Hong Kong's toymakers. In 1986 it was Teddy Ruxpin. But as 1988 dawns, the world's leading exporter of toys is still searching for a product to save the sector from hard times.

As the territory's International Toys and Games Fair opened on Monday, exporters insisted it would be March before they knew whether to plan for a year of austerity. They were referring to a major fair in New York, and praying for still-absent signs of a surge in demand from the critically-important US market.

Widespread publicity on the crisis hitting toymakers who have traditionally supplied the troubled US group, Worlds of Wonder, has prepared the investing public for the worst.

But Fair exhibitors have doggedly refused to be gloomy, citing rising exports to Japan and Europe; that, in addition to a combination of weakness in the local currency and sub-contracting work in mainland China will protect their competitive edge in this notoriously volatile industry, they say.

A collapse in orders from the critically-important US market is at the heart of the malaise. Sales to the end of November amounted to HK$5.6bn, 4 per cent below the comparable period in 1986. With this market accounting for virtually half the sector's export sales, such slippage has serious implications.

The most powerful danger signals have been among doll manufacturers. Sales in the 11 period in 1986. Of these, US purchases have slumped from HK$615m to HK$185m.

Worst hit of all have been stuffed dolls, with sales decimated from HK$243m to HK$47m. US buyers cut orders from HK$220m to HK$32m.

The collapse of just one company – California-based Worlds of Wonder (WoW), which is famous for its Cabbage Patch dolls, and Teddy Ruxpin – has already done serious damage to five of Hong Kong's leading exporters.

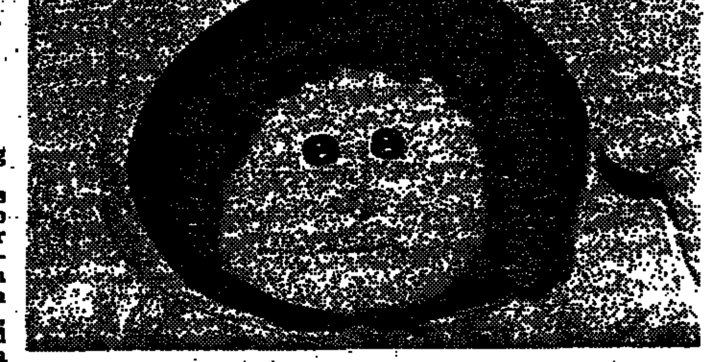
Kader Industrial, which sells about one third of its output to WoW, revealed in November that it is owed HK$95m. General Electronics is owed even more – an estimated HK$180m – while Universal Appliances, Wongs Industrial and Applied Electronics are together owed a further HK$150m.

Hong Kong boasts over 2,000 toy factories, making products that range from talking dolls and plush toys to electronic gadgets, radio-controlled cars, and board games.

According to the most recent statistics, almost 76 per cent of these employ less than 20 people – which accounts for the apocryphal flexibility of Hong Kong toymakers, but at the same time gives them scant protection when distant buyers flounder.

The territory overtook West Germany in 1964, and then Japan in 1972 as an exporter of toys, and has led the world ever since. Exports in the 11 months to November last year amounted to HK$11.65bn – HK$50m higher than the total for the whole of 1986, and 9 per cent ahead of the comparable 11 month period.

Toy exports to mainland China amounted to HK$1.5bn in the January-November period, 64 per cent up on 1986, and making China the territory's second most important export market.



The Cabbage Patch Kid: a money spinner for Hong Kong's toy manufacturers

However, this boom is accounted for almost entirely by the sale of toy parts for assembly in China, and re-export mainly to the US – so a slump in sales the US is expected to have an early impact on the export trend to China.

Strong increases in sales to the once-impenetrable Japanese market, and to Europe have, however, provided an invaluable buffer to sluggish US sales. Exports to Japan rose by 84 per cent in the first 11 months of 1987 to HK$251m after an increase of more than 70 per cent from 1986, while sales to France leapt by 124 per cent to HK$335m.

The surge in sales to other markets has trimmed Hong Kong's dependence on the US market, but not enough to alleviate fears over the damage that will be wrought by a US slump. The US market accounted in 1987 for 48 per cent of all toy exports, compared with 55 per cent a year earlier.

Mr Dennis Ting, chairman of Hong Kong's Federation of Industry, and head of two leading toy companies, was nevertheless unwilling to throw in the towel on 1988 prospects. He insisted that prospects for strong growth in exports to Japan remained good: "At present, we have no more than 15 per cent of the market, and I'm sure it will continue to expand."

The estimated 50,000 Hong Kong workers dependent on the toy industry – and the even larger number involved in sub-contract work in nearby mainland China – are likely to know within two months just how bleak 1988 will be.

APPOINTMENTS

Changes at Rowntree

Mr Peter Blackburn has been appointed chairman of ROWNTREE's UK and Republic of Ireland region. He also succeeds **Mr Ralph Kaner** as chairman of Rowntree Mackintosh Confectionery. Appointed to the group board in 1982, Mr Blackburn was made joint chairman of the UK and Republic of Ireland region in 1985. **Mr Graham Millar** has been appointed managing director of Rowntree Mackintosh Confectionery. He was managing director of Wilson-Rowntree in South Africa.

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Mr Mark Sheldon has been appointed senior partner of LINKLATERS & PAINES in succession to **Mr Ferrier Charlton** who has retired.

*

Mr Daniel Nadis has been appointed managing director of GE CAPITAL'S newly-formed equipment leasing subsidiary, based in London. He was legal counsel to the commercial equipment financing business in the US parent finance company.

*

Mr David Hawkins has been appointed managing director of the southern division of TOWRY LAW (GENERAL INSURANCE). He joins from Stewart Wrightson, where he was a regional director.

*

CROMBIE EUSTACE has appointed **Mr Norman Lawson** as commercial director. He was a director of Food Brokers.

*

Mr Martin Lee-Warner has joined the board of THE COMMUNICATION GROUP. He was an executive director of Samuel Montagu & Co.

*

Mr Peter Green has been appointed director of Command Services, a new division of MEDICLEAN.

*

Ms Jenny Manstead, previously foreign rights director, has been appointed to the board and named director of sales abd marketing at QUARTO PUBLISHING.

*

J. BIBBY & SONS has appointed **Mr Richard Mansell-Jones** as non-executive chairman. He was deputy chairman, and succeeds **Mr Bas Kardol**, who remains a non-executive director.

*

Mr Howard Mann, managing director of RHM Grocery, has been elected president of the BRITISH FOOD EXPORT COUNCIL.

*

Mr Stuart Lee has been appointed group finance director of PLEASURAMA. He was finance director of President Entertainments, which was acquired by Pleasurama last August. Mr Lee succeeds **Mr Barry Hardy**, who assumes the newly-created main board post of corporate planning and development director.

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PHILLIPS & DREW DEVELOPMENT CAPITAL has appointed as partners **Mr Frank Neale, Mr Charles Gonszor**, and **Mr Ron Hobbs**. They were all with Citicorp Venture Capital.

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DAUPHIN INTERNATIONAL, Blackburn, has appointed **Mr Paul M. Simpson** as managing director. He joins from Barclays de Zoete Wedd. **Mr Gerard Priest** joins the board as finance director. Dauphin International has merged with Unit Press, and both companies are now wholly-owned subsidiaries of the newly-formed Dauphin holding company. Mr Simpson and Mr Priest join the board of the holding company, together with **Mr Roland C. Peagram** as a non-executive director. **Mr Alan Waddicor**, chairman and chief executive of the group, remains chairman of Dauphin Internationl, and becomes chairman of Unit Press. **Mr Michael Hallmark**, previously chief executive of Unit Press, joins the holding company board. **Mr Alan Mercer** is appointed managing director, and **Mr John Halsall** works director of Unit Press.

*

Y.J.LOVELL (HOLDINGS) has appointed **Mr Alun Rees** as a director of Lovell Partnerships. He was managing director of Rendell Partnerships Developments, another group company.

*

MASSEY FERGUSON TRACTORS has appointed **Mr Alan Mitchell** as manufacturing director at the Coventry tractor plant. He joins from the Austin Rover Group, where he was manufacturing manager at Longbridge, Birmingham.

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Former managing director of Data-Ship (UK) **Mr Lewis Jones** has been appointed chairman and managing director of ORICO (SYSTEMS), which provides computer systems for the transport industries.

*

Mr Martin Reid has been appointed financial director of FOX PROPERTY SERVICES (HOLDINGS). He was group financial controller.

*

Mr John R. Eggleshaw has been appointed a director of EXCO CAPITAL MARKETS (TREASURY SERVICES), with responsibility for corporate marketing. He was a director of Lloyds Merchant Bank.

*

Mr David F. Shephard has joined JT DESIGN BUILD as director of marketing. He was with Fairclough Building.

*

JOHN LAING has appointed **Mr John Rushton** as group chief quantity surveyor and director of group contractual services.

● BUSINESS LAW

Arbitration – the next step

By Clive M. Schmitthoff

THERE IS general agreement among lawyers and arbitrators that the United Kingdom needs a new Arbitration Act. If a new Act is not placed on the statute book soon, the UK will lose important and lucrative international arbitration business to competing arbitration centres in countries with more favourable laws.

Fortunately the matter is under consideration by a powerful Departmental Advisory Committee, appointed by the DTI, under the chairmanship of one of our most distinguished commercial judges, Lord Justice Mustill. The Committee and the Scottish Advisory Committee on Arbitration Law (chaired by John Murray QC) published a Consultative Document in October 1987. This document deals with the question whether the United Nations Commission on International Trade Law (UNCITRAL) Model Law on International Commercial Arbitration of 1985, which aims at harmonising national arbitration laws throughout the world, should be adopted by the UK as a whole, in part or not at all. The document contains a detailed analysis of the Model Law and poses a number of specific questions. Answers are requested by February 1988. It is to be hoped that the Committees will make positive recommendations soon.

The statutory framework of English arbitration law is contained in three Arbitration Acts of 1950, 1975 and 1979. The 1950 Act is the principal act, but that of 1979 is the most important. The 1975 Act gives effect in the United Kingdom to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958, which is accepted by 71 states, including the UK, the US, the Soviet Union and China.

The 1979 Act provides a temporarily satisfactory, though not ideal, solution. It adopts the principle that an award is reviewable by the court on a substantial point of law but in international arbitrations – it uses the term "non-domestic" arbitrations – it allows the parties to contract out of judicial review in advance.

This is an important concession to the principle of finality of the arbitral award. Finality of the award is one of the main reasons why parties to an international contract prefer arbitration to court proceedings; they fear the delay caused if their case goes through the hierarchy of the courts. Unfortunately the adoption of the principle of finality is qualified by the 1979 Act: in special category arbitrations an advance exclusion is not admitted, and judicial review can only be excluded after the commencement of the arbitration which, of course, rarely happens. The special category arbitrations comprise disputes governed by English law and arising in Admiralty and from insurance and commodity contracts.

The reason for this arrangement, which may appear puzzling, is simple. In so-called "one-off" contracts in which London competes with other international arbitration centres, the parties may agree in advance on the finality of the award, but abrogation of judicial review on a substantial point of law of general import is discouraged, in order to maintain uniformity and certainty of law in the interest of traders in a particular line of business. This pragmatic approach has served British business well, particularly since the courts are unwilling to hear lengthy argument on the issue whether judicial review should be admitted by them, following the *Nema* Guidelines[1] and *Antaios*[2].

But the 1979 Act is now almost 10 years old and it has a faded look, particularly when compared with the regulation of international commercial arbitration in other jurisdictions.

As reported in this column on October 1 1987, the US Supreme Court adopts an extremely liberal attitude to international arbitration. In 1974 the court rejected "a parochial refusal" to enforce an international award. In the famous *Mitsubishi* case the Supreme Court admitted arbitration in anti–trust claims[4] and in the *Shearson* decision it admitted arbitrability of alleged claims under the Racketeer Influenced and Corrupt Organisations Act[5].

In France the decree of 1981 has introduced a far-reaching liberalisation of international arbitration and the same happened in Belgium in 1985. English judges are aware that the 1979 Act is no longer in harmony with developments elsewhere in the world. The Court of Appeal decided in 1984 that the adoption of an ICC arbitration clause operates as an advance exclusion agreement of judicial review[6]. The court relied on a provision of the ICC Arbitration Rules that the award is final. As similar provisions are contained in practically all institutional arbitration rules; the Court of Appeal has broadened the area of finality of the international award and reduced that of judicial review.

The harmonisation of national arbitration laws is in the interest of international trade and this is the praiseworthy aim of the Model Law. The Model Law is not an international convention. It is not intended that the states which accept it should introduce it into their national law. It is merely a model of what the best international opinion believes to be a good national arbitration statute. In its preparation, the UK delegation, which included eminent judges and practitioners, took an active part.

It is thought that the adoption of the Model Law as a whole by the UK would be a retrogressive step. UK arbitration law has a long statutory and judicial tradition. It is a system of law which has been refined by long practical experience. To replace this system by the Model Law would be a mistake. What should be done is to select the best points of the Model Law – and there are many good ideas in it – and to incorporate them into the new Arbitration Act.

The most important problem for the new Arbitration Act is, however, to settle the problem of finality of an international award. Judicial review, as a statutory principle, should be replaced by the principle of finality of international arbitral awards. The only statutory exceptions which should be admitted to this principle should be the few limited cases defined in Article 34 of the Model Law as grounds for setting aside an award or remitting it. These grounds are essentially the same as those for refusing recognition and enforcement, as set out in Article 36 of the Model Law and Article V of the New York Convention of 1958. They are internationally recognised exemptions and do not affect the adoption of the principle of finality.

The new Arbitration Act should allow the parties to provide in their arbitration agreement that the award shall be reviewable by a court of law on a substantial question of law. In other words, the principle of the 1979 Act to admit contracting out of judicial review should be reversed by a principle of contracting in. The Consultative Document states (in paragraph 13) that under the Model Law the court has no power to entertain an appeal from the award to the court even if the parties consent. This is a misinterpretation of the Model Law. There is nothing in it which deprives arbitration of its consensual character.

The effect of the adoption of the contracting in principle would be twofold. First, UK law relating to international commercial arbitration would, in principle, be brought into line with the laws of other leading industrial countries. Secondly, although appeals in special category cases governed by English law should be severely restricted by the new Act to cases which genuinely raise a point of general interest, an escape clause to this effect can be inserted in standard contract forms. The basis of judicial review would then be altered. It would no longer be statutory, to which objection is taken in some trade circles abroad, but it would be contractual, founded on the antonomy of the parties' will which is respected everywhere as the fundamental element in arbitration.

[1] *Pioneer Shipping Ltd v BTP Tioxide Ltd. The Nema [1982] A.C. 724*
[2] *Antaios Compania Naviera S.A. V.Salen Rederierna B.A. [1985] A.C. 191*
[3] *Scherk v Alberto Culver Co. 417 US 506, 619 US 885 (1974).*
[4] *Mitsubishi Motor Corporation v Soler Chrysler-Plymouth Inc.* 1055 S. Ct. 3346 (1985), See FT July 11 1985
[5] See FT July 2 and 30, 1987
[6] *Marine Contractors Inc v Shell Petroleum Development Co of Nigeria* [1984] 2 Lloyd's Rep. 77

Clive M. Schmitthoff is a Professor at City University and General Editor of the Journal of Business Law.

UK NEWS

PRESCOTT ABANDONS PLAN TO FORCE PARTY DEPUTY LEADERSHIP VOTE

Labour averts fight at the top

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR JOHN PRESCOTT, Labour's energy spokesman, yesterday abandoned his controversial plan to fight Mr Roy Hattersley for the deputy leadership of the party.

The decision followed his acceptance of a formula worked out between trade union leaders and Mr Neil Kinnock, the Labour leader, which Mr Prescott claimed would enable him to raise his proposals for redefining the role of the deputy leadership at this year's annual party conference.

He said last night that he had been given assurances from trade union leaders and the party leadership that his plan to relieve the deputy leader of parliamentary responsibilities, in order to concentrate on strengthening the party organisation, would be debated in October.

He said that as the debate would now be held, there was clearly no need for him to force the issue by standing for election this year. It was "a victory for common sense", although he did not rule out standing in subsequent years.

However, sources close to Mr Kinnock, who has been angered by Mr Prescott's apparent determination to provoke a contest, last night denied there could be any such guarantee.

They said the party leader did not organise the conference agenda.

It was being pointed out that, up until this morning, Mr Prescott tried to win concessions on the role of the deputy leader, but was turned down flat on each occasion.

In a statement which appeared further to undermine Mr Prescott's position, Mr Kinnock welcomed the decision but expressed his annoyance that there had been any distractions from the party's present policy review.

He said he was "completely hostile" to the plan to exclude the deputy leader from a major parliamentary portfolio, like "just about everybody else in the trade union and Labour movement".

Mr Prescott said he did not believe an election would be divisive but he appreciated the views of those who did. He was careful not to make any criticism of Mr Hattersley.

● Mr David Steel, the Liberal leader, yesterday gave the clearest indication yet that he will not be a leadership candidate if his party decides to merge with the Social Democrats.

Speaking at Westminster three days before the crucial Liberal assembly, which will decide whether to put the merger package to a membership ballot, Mr Steel acknowledged his recent ambivalence over his own position.

Successor to Whitelaw named for key Cabinet committee

BY PETER RIDDELL, POLITICAL EDITOR

MR JOHN WAKEHAM, the leader of the House of Commons, has increased his influence within the Government by taking on the chairmanship of a key Cabinet committee. This follows the retirement of Lord Whitelaw earlier this month.

He will chair H committee, which deals with home and social affairs and is one of the main permanent, and publicly acknowledged, Cabinet committees. The other key committees, covering the economy and overseas and defence policy, are both chaired by Mrs Margaret Thatcher, the Prime Minister.

The chairmanship of these committees is central to the running of the Government because most major issues are decided at this level, or in smaller sub-committees and ad hoc groups, rather than being referred up to the full Cabinet.

Consequently, after the retirement of Lord Whitelaw on health grounds, there was considerable speculation among ministers about who would take on his key role in ensuring that business was expedited and disputes between departments resolved without involving a full-blown public argument.

Mr Wakeham has the reputation, like Lord Whitelaw, of being a skilful behind-the-scenes operator and his influence will now extend over the whole of the Government's social policies.

Having taken over Lord Whitelaw's formal title as Lord President of the Council, Mr Wakeham will now be seen as having inherited much of his role as the Cabinet's conciliator and fixer — without any departmental ties.

The H committee covers not only Home Office matters but also education, health and social security and the environment.

As leader of the Commons, Mr Wakeham will continue to chair the QL committee of ministers which deals with the Government's legislative programme.

Beecham bolsters drugs arm

BY ANDREW TAYLOR

BEECHAM GROUP, the drugs, cosmetics and consumer products group, is reorganising the management of its pharmaceuticals division, which has an annual turnover of about £850m.

Mr James Pollard, chairman of Beecham Pharmaceuticals, said the new management structure would foster closer co-operation between research and marketing new products.

The company, which produced a trading profit of £249m in the year to March 31, 1987, was developing a new marketing unit to provide a strong input into product development.

It was also creating a department to increase product licensing agreements with other pharmaceutical groups. All aspects of bringing new products to the market would be co-ordinated under a new project management system. Some of these functions had been split which had led occasionally to expensive delays.

Four senior management posts have been created, including a worldwide head of commercial operations who will be Mr Paul Tatum, president of the company's US business.

Mr Pollard said annual research spending by the pharmaceuticals division had risen by more than 55 per cent to over £80m during the past five years.

Health funds pledge 'dropped'

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

PRESSURE on Government over funding for the National Health Service intensified yesterday when leaders of the medical profession told members of parliament of their dismay that the Government was apparently not standing by an agreement that further finance is needed.

A meeting between Mr John Moore, Social Services Secretary, and the presidents of the royal medical colleges last week ended with a joint statement declaring that there was a need to increase the total resources available for health care.

"Perhaps rather naively, we assumed that additional resources meant what it said," Sir Raymond Hoffenberg, president of the Royal College of Physicians, told the Commons Social Services Committee.

Sir Raymond said the presidents had been dismayed to read reports of Tuesday's Commons health debate, in which the Government appeared to rule out extra resources. This position, he said, seemed to be a "complete denial" of what had been asked at the meeting.

The presidents, he said, had left last week's meeting with the Social Services Secretary feeling somewhat optimistic. They felt Mr Moore had listened sympathetically and he appeared to understand the problems. "Since then we have read nothing but disconcerting news and this causes us understandable dismay."

The presidents told the committee that a statement which they issued in December warning that acute hospital services were near breaking point had this week been formally endorsed by all the medical colleges.

Ofgas director gives warning on excess profit

BY MAX WILKINSON, RESOURCES EDITOR

MR JAMES McKINNON, director of the Office of Gas Regulation, yesterday told MPs that he would need more detailed information from British Gas if he were to ensure that the company did not make excessive profits out of the domestic consumer in future years.

Mr McKinnon, whose office was set up to enforce fair play in the domestic market after British Gas was privatised in 1986, was answering questions on the formula which governs price increases in the sector.

This formula allows British Gas to raise prices by 2 percentage points less than the annual rate of inflation plus an amount which would compensate the company for increases in the cost of its gas supplies from the North Sea.

Mr McKinnon had a public row with the company last year about its failure to provide him with adequate information on the operation of the formula. However, he told the Commons committee on energy that he was satisfied the company had operated the formula correctly so far.

In future years, he said it would be necessary to make a judgment whether the formula yielded British Gas profits which were commensurate with the risks and rewards in this sector of its business.

To make this judgment, Ofgas would need to develop a record of the profitability associated with the formula. The figures, running from last April, would be needed to assess whether the formula should be revised, when it came up for review in four years' time.

British Gas is not obliged to publish a breakdown of its profits in the domestic sector compared with profits in the unregulated industrial sector.

However, Mr McKinnon said he had been discussing with the company how it should make the necessary information available and had been told British Gas was itself keen to monitor the operation of the formula.

He was not pressed by the committee about whether British Gas had actually agreed to provide him with the internal accounts needed.

In answer to a question about how the appropriate rate of return could be assessed, Mr McKinnon said it would be necessary to look at the risks and rewards of other investments. British Gas's domestic business was one in which little changed from year to year.

Asked whether British Gas was cross-subsidising its industrial business from the domestic sector, he said any misallocation of costs or revenues between the two parts of the business would be "reprehensible if not illegal".

Rolls-Royce suspends outspoken managers

By Richard Tomkins, Midlands Correspondent

TWO SENIOR managers of Rolls-Royce, the aero-engine manufacturer, were yesterday suspended from work after apparently making outspoken remarks on the future of the company's marine engine division.

The two are Mr Robin Bussell, general manager of marine business at Rolls-Royce's Ansty plant near Coventry, and Mr John Neeves, marine engineering manager at the same site.

Mr Bussell suggested in a letter to MPs and in an interview with the local press that jobs at Ansty could come under threat if Britain failed to participate in the seven-nation plan to build a Nato frigate. Ansty employs nearly 2,000 people, though considerably fewer are on marine work.

Rolls-Royce would be strongly placed to supply the marine engines for the ship, codenamed NFR-90, if Britain participated. So far the Treasury has been chary about it.

Mr Bussell told the Coventry Evening Telegraph that Ansty currently supplied marine engines for only three countries – Britain, Holland and Japan – and if Britain failed to participate in the NFR-90 project, the loss of prestige could mean that the Royal Navy would be the only customer left.

"It would then come down to whether the marine division was still a viable part of Rolls-Royce's business, and I think it would be very, very marginal," he said.

Rolls-Royce said yesterday: "Both Mr Bussell and Mr Neeves have agreed to remain at home while they and the company consider their future. It would therefore not be appropriate to comment in detail, but the company has repudiated the letter Mr Bussell wrote to MPs because it misrepresented the company's position."

Mr Bussell declined to comment.

Kevin Brown reports on a growing sector in the transportation of goods

Rolling up to rent a private rail wagon

JUST more than 40 years after the nationalisation of Britain's railways, the scene is being set for a period of rapid growth in private ownership and operation of rolling stock.

The growing confidence in the private rail sector was illustrated by the £29m acquisition earlier this month of Procor, the UK's largest private wagon rental company, by Group CAIB, a subsidiary of Brambles International, the Australian transport group.

CAIB, which operates 35,500 wagons elsewhere in the European Community, has a UK fleet of about 3,400 wagons – a dominant position in a domestic rental sector of about 6,000 wagons.

The group has made clear that it is looking for further acquisitions, both in the UK and elsewhere, to consolidate its position as the Community's leading private rail operator.

At the same time, the domestic rail market is being shaken up by aggressive expansion by Tiphook, the fast-growing container and road trailer rental group, which set up a rail subsidiary last year.

Tiphook expects to have 450 new wagons available for rent by the end of this year, which will put its rail subsidiary in fourth place in the UK "league table" of rental companies.

The group says it is confident of winning sufficient business to keep its fleet busy from the moment of delivery, and is already drawing up plans to buy more wagons.

Tiphook has also had talks with British Rail about the possibility of running privately-owned freight locomotives, following the successful operation of four US-built locomotives by Foster Yeoman, the aggregates producer.

This project is still under consideration, but has been put on the back burner while BR sorts out its own locomotive requirements.

The sudden burst of activity in the private wagon market follows decades of decline in the total freight carried by rail, which fell from 255.2m tons in 1947 to 138.4m tons in 1987 – less than 10 per cent of the market. But while the total figure has been falling, there has been strong growth in the proportion of rail freight carried in private wagons.

This is illustrated by a fall since 1947 in the number of BR wagons from 1.3m to about 30,000, while the private fleet fell by fewer than 10,000 to about 14,500 – or 32 per cent of the UK fleet.

These figures disguise a big increase in the carrying capacity of modern wagons, which often replace three or four of the wagons which were operating 40 years ago.

In addition, a large part of the BR fleet is committed to moving coal from pithead stocks to power stations, and is therefore not available for general traffic.

When this part of BR's fleet is stripped out, it is estimated that more than 80 per cent of non-coal rail cargo moving in the UK is carried in private wagons.

A market of this size would be worth fighting for even if the industry was condemned to continue in hopeless decline. But there are several reasons for believing that rail freight may be on the verge of a recovery.

UK RAIL WAGON OWNERS	
Rental companies	Fleet
CAIB/Procor (fleet total)	3,400
MAT Transauto	430
Standard Railway Wagon (inc. Railease)	710
E.G.Steele	120
Tiger Rail	790
Tiphook Rail	450*
VTG	310
Total	6,210
Own account operators (More than 100 wagons)	
Associated Octel	100
Blue Circle Industries	1,460
BP Oil	1,350
British Steel (all divisions)	490
Esso Petroleum	520
Gulf Oil (GB)	110
ICI (all divisions)	270
Ministry of Defence	130
Redland Aggregates	110
Shell Oil (UK)	1,920
Tioxide UK	250
Others (50)	1,640
Total	8,340
Total non-BR fleet (rental and own account)	14,550

*Includes 285 for 1988 delivery. All figures rounded down. Industry sources.

Rail lost market share to road haulage principally because improvements in the road infrastructure were not paralleled by investment by BR. But technical changes in the capacity and reliability of wagons mean that rail is once again quicker and cheaper for journeys of more than about 175 miles. It also offers environmental benefits, particularly for movement of hazardous cargoes.

In addition, rail is experiencing a "halo effect" caused by the proposed Channel Tunnel, which will link BR tracks with the European network for the first time, and has led to a big increase in awareness of the possibilities of rail transport.

At the same time, rail is benefiting from an international move towards intermodal transport in which goods move between road, rail and ship in a single wagon or container.

All this coincides with with a huge improvement in morale within BR's freight division caused by the success of a commercial marketing strategy inspired by government demands for an end to losses.

Railfreight is forecasting profits of £53m next year, and private wagon companies say its competitive pricing policies and efficient computer tracking system, known as Tops, are indications of rail's increasing ability to compete.

However, while BR provides and maintains the rail network, and supplies staff and locomotives, it continues to reduce its ageing wagon fleet, which has an average age of more than 15 years. In 1985, for example, more than 85 per cent of the wagons withdrawn from service belonged to BR, which was responsible for only 1 per cent of the new or refurbished units introduced.

By contrast, BR estimates that £2.4bn of private capital is invested in rail infrastructure, of which about £760m is represented by rolling stock. This investment has greatly increased the capacity of the railway at no cost to BR.

BR says its policy is to encourage private investment, provided it benefits the industry, and acknowledges that the availability of private capital in the freight sector releases much-needed funds for improvements to passenger services.

Despite the existence of a large number of own-account fleets, much of the growth in private wagon ownership is likely to come from rental companies.

This is because of a trend throughout industry for producers to withdraw from the secondary activity of transport, and the effect of the abolition of 100 per cent, first-year capital allowances in the 1984 Budget, which has made rental more tax efficient.

The rental companies also have their eyes on the Continental European market, where rental accounts for a high proportion of total wagon fleets – around 40 per cent in West Germany and 50 per cent in France, for example.

Mr Michael Barclay, managing director of Tiphook Rail, said: "We reckon this is a good time to come in. We think there is a market for Tiphook because, while there are a lot of existing wagons, a lot of them are old, with a low payload and restricted speed.

"We are ready to invest to take some of the existing market by offering new wagons, but we also expect to expand the market by offering innovative designs.

"We are also looking closely at the European market, where there are 10 times as many wagons operating as we have in the UK. There is no reason why we should not take a share of that."

Swan Hunter launches last RN Type 22 frigate

BY LYNTON McLAIN

SWAN HUNTER, the Tyneside shipbuilder, yesterday launched HMS Chatham, the last Type 22 frigate for the Royal Navy and the last vessel to be launched from the company's Neptune yard on the Tyne.

The launch came two years to the day after Swan Hunter was privatised in a management buy-out from British Shipbuilders. All future Swan Hunter ships will be built at the last remaining shipyard on the Tyne, the Wallsend slipway, down the river from the Neptune yard.

The company is to use some of the covered facilities at the Neptune yard for small-scale fabrication and sub-assembly work for units which will be taken to the Wallsend yard and installed on ships to be built there.

Mr Alex Marsh, chief executive of Swan Hunter, said yesterday: "We are proud of HMS Chatham and know she will be a credit to Swan Hunter and British industry. We have come a long way since the privatisation of our company two years ago: we have not only survived in one of the most competitive markets but are thriving in it. We are trading with reasonable profit and widening our markets to include a full maritime defence capability."

Tomorrow the company will lay the keel of the new Cable and Wireless ship which, like the warships it builds, is a technically sophisticated vessel.

The 4,000-tonne HMS Chatham is the fourth stretched Type 22 vessel for the Royal Navy but has been fitted with an extended range of offensive and detection equipment for its role as a flagship in anti-submarine warfare.

Swedes to sell Valspar paints to MacPhersons

BY IAN HAMILTON FAZEY

BECKERS, the Swedish paint maker, is to sell its Valspar brand and business to MacPhersons and get out of decorative paint markets in the UK.

Up to 150 jobs may be lost at the old Goodlass Wall factory in Speke, Liverpool, which Beckers bought from the Cookson group in 1985, when the company's national workforce numbered about 550.

The deal, the price of which is to be finalised next week, includes transfer of Alexander Fergusson in Glasgow. It will save 160 sales, marketing and depot jobs throughout Valspar's UK operations, which were threatened by continuing rationalisation in the paint industry after the Williams Group's recent acquisitions of both Crown and Berger.

Mr Andrew Miller, divisional officer of the Association of Scientific, Technical and Managerial Staffs, said yesterday he would be complaining to the union members of Beckers' main board in Stockholm about lack of consultation.

The Swedish unions will be asked to protest about "colonial" attitudes towards its British subsidiary and to demand that Beckers help any sacked workers.

Mr Alan Walker, Beckers' UK group financial director, said the company would be developing its industrial coatings and resins business at the Liverpool plant. It would continue to employ more than 200 there. There would be as much redeployment of redundant Valspar people as possible and those who had to leave would be counselled to help find jobs.

The Valspar acquisition is expected to make MacPhersons the third largest paint company in Britain after ICI and the new Williams-Crown-Berger grouping. MacPhersons was bought in 1985 by Tikkurila, the paints subsidiary of the state-owned Finnish chemical group Kemira Oy, in an auction with Beckers and Yule Catto.

MacPhersons is better known under its old name, Donald MacPherson, the supplier of decorative paint to Woolworth stores in Britain. It has rationalised most of its activities on its high technology plant in Bury, Greater Manchester, after headhunting management, mainly from International Paint, the Courtaulds subsidiary.

Valspar is a US brand owned by different paint companies in various European countries.

Plans for Essex housing

By Andrew Taylor

PLANS FOR a £250m housing development at Braintree, Essex, have been submitted to Braintree District Council by Countryside Properties, which is involved in four of the largest housing schemes proposed for south-east England.

Mr Nicholas Ridley, Environment Secretary, last month approved plans for a £350m housing scheme in Harlow, Essex, proposed by a consortium of three developers: Countryside, Croudace and Wates.

The three companies are expected to submit a planning application for a £250m development, to build 1,500 homes at Stevenage, Essex.

Countryside is also part of a consortium of Heron, Mowlem, Conran-Roche and Barratts which proposes a £500m housing and commercial development to the south of the former Royal Victoria Dock, London.

The latest proposals at Braintree would involve Countryside in providing 1,800 to 2,000 homes on a 400-acre site to the south of the town along the A131. The development will be expected to meet some of the demand for new homes following the expansion of Stansted Airport, Essex.

The project will include a 150-acre country park, a sports hall, a supermarket, several smaller shops, a church, a public house, and a community hall and health centre.

The development is one of several housing projects, described by builders as neighbourhood schemes, proposed for the south-east.

Several developments proposed by Consortium Developments, a group of nine leading housebuilders, are even larger. The group last week submitted a planning application for a country town at Stone Bassett, Milton Common, Oxfordshire.

Guinness attacks Takeover Panel ruling

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE CONSEQUENCES for Guinness of what it asserts was an unsound and "highly dangerous" ruling by the City Takeover Panel were spelt out in the High Court yesterday.

Last September, the panel decided that Guinness had taken part in a concert party for the purchase of 10.6m shares of Distillers at a price 75p above the cash alternative offered by Guinness in its takeover bid for Distillers.

Mr David Oliver QC, for Guinness, said the consequences went beyond the impact on Guinness's share price and the fact that a court might find the panel's decision very persuasive, or binding, in any court action against Guinness by Argyll, its rival in the Distillers takeover battle.

If, as a result of the panel's conclusion, Guinness was to make payments to former Distillers' shareholders and the conclusion proved subsequently to be unsound, "it would be, in practical terms, virtually impossible for Guinness to recover that money," Mr Oliver said.

Guinness is challenging the panel's finding that the company engaged in a concert party with either Pipetec, a Swiss company, or Bank Leu, a Swiss bank said to be Pipetec's parent, to buy the shares in the closing stages of the takeover.

Estimates of the extra money Guinness would have to pay to former Distillers shareholders if that were the case, range between £100m and £200m.

Guinness, which argues that the panel reached its conclusion on inadequate evidence, claims that all it did was lend the purchase price for the shares to Cazenove, which was purchasing the shares for Pipetec. Cazenove had been uncertain whether Bank Leu, which was funding the purchase, would provide the money in time. In the event Bank Leu came up with the money and Guinness's loan was repaid the day after it was made, Guinness says.

Central to the case is a letter written on April 18 1986, by Pipetec to Mr Thomas Ward, then a Guinness director, confirming the share purchase "upon instructions from yourself" and referring to undertakings by Guinness to repurchase the shares and pay costs and other expenses to Pipetec.

The court has seen a duplicate of the letter, apparently bearing Mr Ward's signature confirming Guinness's acceptance of its terms.

The involvement of Mr Ward, who did not give evidence to the panel, and the determination of Guinness's present management to distance themselves and Guinness from the actions of their predecessors, have become dominant themes in the court hearing.

Mr Oliver said it was conceivable that the arrangements referred to in the Pipetec letter had been "dreamed up" after the event. "If it could be established that Mr Ward was on a jolly of his own that would have a significant impact," Mr Oliver said.

Lord Justice Watkins commented that it might be highly relevant to know whether it was Guinness itself agreeing with the arrangements or "one or two people going out on a skirmish without authority."

Lord Justice Russell asked: "Mr Ward would have ostensible authority, would he not?" Not necessarily, Mr Oliver replied. Mr Ward had been a non-executive director.

Among evidence read to the court were comments made about Mr Ward to the panel by a Guinness solicitor, Mr Edward Walker-Arnott. He had said: "Any document which is connected with Tom Ward must be viewed with some suspicion."

The court was also shown yesterday a letter written to the panel last August by solicitors for Mr Olivier Roux, Guinness's former finance director.

Earlier in the hearing the court had been told that, on April 17 1986, Mr Roux had written to the panel stating that Guinness had had no involvement in the share purchase – a letter that Mr Oliver accepted was misleading, "if not positively untrue."

Last August, Denton Hall Burgin & Warrens, Mr Roux's solicitors, wrote to the panel, saying: "So far as Mr Roux recalls, the letter ... was drafted by Freshfields who carried the main responsibility for communications with the panel on all matters.

"Mr Roux believes that Anthony Salz of that firm gave him the letter to sign. Mr Roux made no inquiries as to the accuracy of its contents and assumed that Mr Salz would have first cleared it both with Morgan Grenfell (then Guinness's financial advisers) and Cazenove," wrote Dentons.

The hearing continues today.

Ford increases grip on car fleet sales

BY JOHN GRIFFITHS

FORD FURTHER tightened its grip on the leadership of the fast-expanding UK car fleet market last year.

Its 267,606 sales to the mainstream fleet market – made up of companies ordering 25 cars or more – increased from 224,994 in 1986, representing a share of 49.3 per cent. This was more than double that of second-placed Vauxhall/Opel.

Industry figures show that the General Motors subsidiary saw its share of the market fall to 24.16 per cent last year from 27.72 per cent in 1986. Because of a 15.2 per cent increase in the size of the total fleet market, however, its unit sales were still higher, at 131,160 (130,576 in 1986).

Ford's 1986 share was 47.77 per cent.

The statistics reveal an upturn in the fortunes of Austin Rover, the UK state-owned cars group. Its share increased by more than 2 percentage points to reach 16.59 per cent from 14.77. Unit sales rose to 90,072 from 67,691, the increase being accounted for mainly by a jump in sales of the Rover 200, built under licence from Honda, to 19,000 units (from 10,755).

The fleet market itself expanded by more than 70,000 units to reach 542,784, compared with 470,999. This growth in part reflects last year's total new car sales increase to a record 2.013m units from 1.89m in 1986. However, the share of the total taken by fleet sales also grew, to 27.08 per cent from 25.02.

The statistics highlight how little penetration of the fleet market proper has been made by all other would-be competitors.

For example Peugeot/Talbot, which yesterday formally launched in the UK its Peugeot 405 saloon as a major competitor to the fleet market-leading Sierra, had a share of only 1.97 per cent last year. Renault was first of the "also-rans" with 2.99 per cent. Fiat had 1.2 per cent and Audi/Volkswagen 0.88 per cent.

A measure of the task facing Nissan, which is increasing Bluebird production in the UK to 50,00 units this year, is that its share last year was 0.87 per cent, representing 4,756 unit sales.

UK FLEET MARKET 1987 top 10 sellers	1987	1986
Ford Sierra	92,385	71,178
Ford Escort	71,987	63,973
Vauxhall Cavalier	64,346	68,399
Ford Fiesta	45,181	36,235
Vauxhall Astra	35,391	33,910
Ford Orion	31,857	25,662
Ford Granada /Scorpio	25,481	26,353
Rover Montego	25,159	22,516
Rover Metro	22,779	18,402
Rover 200	19,000	10,755

Fleets of 25-plus. Industry sources

Ignorance about unleaded fuel revealed in survey

FINANCIAL TIMES REPORTER

NEARLY four out of 10 of the UK's new car dealers were unable to say which of their models could run on unleaded fuel or, worse still, gave wrong answers, according to a survey by Jet Petrol, the Conoco subsidiary.

It said that more than half of Britain's motorists and 36 per cent of dealers' staff do not know which cars can safely use unleaded petrol.

Jet has written to the Department of the Environment and the Society of Motor Manufacturers and Traders pointing out that an education programme by the Government and the industry is needed if there is to be a significant advance in unleaded petrol sales.

A European Commission directive calls for unleaded petrol to be "widely available" throughout the Community.

THE 1987 Jet Media Excellence Award for motoring journalism was presented yesterday to Kenneth Gooding, of the Financial Times and until recently the paper's motor industry correspondent. Mr Gooding, who also collected the national newspaper award, won £1,250 and an expenses-paid visit to Houston, Texas, where Conoco has its headquarters.

Press opposes argument for Spycatcher ban

Financial Times Reporter

THE Government's argument for a permanent ban on press reporting material from the book Spycatcher paid no more than lip service to the importance of freedom of speech, counsel for The Guardian and The Observer newspapers said in the Court of Appeal in London yesterday.

Mr Charles Gray, QC, said the Attorney-General's case took no account of the fact that the information in the book, the memoirs of the former MI5 officer Mr Peter Wright, was generally available. It also ignored legitimate public interest.

The Guardian and The Observer, he said, had no intention of serialising Spycatcher, but they should not be stopped from reporting or commenting on the substance of the allegations in the book.

He did not accept that distribution was limited in England. Several thousand copies had been imported from America.

The two newspapers, with The Sunday Times, are contesting an appeal by the Attorney-General against Mr Justice Scott's refusal in the High Court last month to ban press reports of the memoirs.

The hearing continues today.

Scottish business confident on prospects

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

SCOTTISH COMPANIES are still highly sanguine about their short-term prospects in spite of the stock market crash and the rise of sterling against the dollar.

Businesses in all major sectors of Scottish business expect increased sales and orders in the next three months, according to the Scottish Chambers' Business Survey carried out by the Fraser of Allander Institute.

The survey, based on responses from companies belonging to the chambers of commerce in Glasgow, Edinburgh, Dundee and Aberdeen in the four weeks to January 6, also shows that companies saw their sales and orders continue to rise in the last quarter of 1987.

A balance of companies in all sectors except wholesaling experienced a rise in employment during the last three months of 1987, and they expect further rises in early 1988.

Manufacturing companies report greater demand from the domestic Scottish market for their products. This contrasts with their experience for most of last year when exports and sales to the English market performed well while sales to the Scottish market were sluggish.

Retailing, wholesaling and construction were the most optimistic of the sectors surveyed, with construction reporting more confidence than at any time since the survey began in 1984.

● A picture of a boom in South Wales that is set to continue throughout 1988 is presented by the Cardiff Chamber of Commerce in its latest review of the economy published yesterday, writes Our Welsh Correspondent.

Although unemployment remains high compared with many other parts of the UK, 85 per cent of the local companies reported that turnover would be even better than the record 1987.

Seven in every 10 companies also forecast their profits would rise.

The survey revealed "quite remarkable continuing optimism," Mr Fred Osborne, the chamber's director, said. Just over half the respondents indicated they had taken on more workers in the past three months and half of them expected to take on more in the next three months.

"For the first time in years over half the employers questioned are now experiencing problems recruiting workers and 54 per cent of the respondents have unfilled vacancies."

● Coopers & Lybrand, one of Northern Ireland's largest firms of management consultants, yesterday predicted a drop of 5,000 in the province's unemployment total this year, writes Our Belfast Correspondent.

However, the company's annual economic review attributes part of the decrease to a fall of 2,000 in the total number of people working.

The Northern Ireland Review and Prospects also forecasts a 1.5 per cent growth in industrial output.

Emigration and a growth in the Action for Community Employment Scheme which provides jobs for the long-term unemployed are cited as reasons for the predicted fall in the jobless total.

Coopers & Lybrand's projections anticipate a period of stability in the construction industry and a growth in the consumer goods sector leading to a small increase in manufacturing output.

Commenting on the future the review states that further growth in the UK economy this year might not necessarily be reflected in Nothern Ireland.

Car part plant for Midlands

By Richard Tomkins, Midlands Correspondent

NIPPON SEIKI, the Japanese motor components maker, yesterday announced plans to set up its first European manufacturing base in Redditch, the West Midlands new town.

It is to build a £7m factory on a six-acre greenfield site in the town's North Moons Moat district. The plant will employ 80 when it opens in November and 130 within the next two years.

Nippon Seiki is one of the world's leading manufacturer of dashboard instruments and the biggest supplier of instrument clusters to Austin Rover, the UK car maker.

The new plant is expected to meet virtually all Austin Rover's volume car production needs within three years of opening. It will supply instruments for R8, the medium-sized car developed jointly by Austin Rover and Honda.

GEC stake in Matra to trigger collaboration

BY DAVID THOMAS

GENERAL ELECTRIC Company, the UK electronics and engineering group, plans to use its new stake in Matra, the French electronics and armaments company, to launch a wide range of collaborative ventures with Matra and Matra's other new partners.

The French Government confirmed on Tuesday that GEC, Daimler-Benz of West Germany and Wallenberg, the Swedish group which controls the Ericsson telecommunications company, are to be among the new shareholders in Matra.

GEC regards its 4 per cent stake, which will cost about £10m, not simply as an investment, but as a gesture of commitment which will help it seal collaborative alliances.

Senior managers of GEC and Matra have held preliminary discussions about projects on which they could work jointly, and intend to flesh these out in the coming months.

The most promising area seems to be in defence, where the British and French governments have shown enthusiasm for more joint work. GEC believes the defence electronics expertise of its Marconi subsidiary will complement Matra's missile capabilities.

Another topic to be explored is telecommunications. An area of particular interest to GEC is the next generation of European cellular telephone gear.

In the longer term, GEC might talk about joint work in public and private telephone exchanges with Matra and Ericsson, which last year formed a partnership to take over France's second public exchange manufacturer.

GEC is also keen to look at joint ventures with Matra in railway equipment.

Councils told to sell off land

By Paul Cheeseright, Property Correspondent

THE GOVERNMENT has told local authorities not to hold on to unused industrial land which could be used for retail developments.

This advice is in a document of planning policy guidance for retail developments, published yesterday. It adds a fresh element to a draft on retail development planning, which has been circulating for consultation since last September.

The thrust of the Government's planning instructions to local authorities has not changed during consultation.

The Department of Environment acknowledges that retailing is a major industry but wants major shopping centres kept out of the Green Belt in particular and the countryside in general.


THE NEW PEUGEOT 405.
TAKES YOUR BREATH AWAY.
CAR OF THE YEAR
1988

MANAGEMENT: Marketing and Advertising

AFTER TWO years in which television advertising costs have soared by more than 50 per cent, the ITV companies may this year give advertisers a chance to get their breath back. Costs are not expected to rise in the next 12 months by more than 5 per cent.

A period of such relative stability will be welcomed by industry. But, as a conference of the Incorporated Society of British Advertisers (ISBA) heard this week, much economic damage has already been done to industry; and the pause in the upward spiral may not last for long.

The costs of TV advertising reflect the primary economics of supply and demand. Parliament has established a statutory monopoly with a restricted supply of advertising time. But demand for that time continues to grow.

Economic growth in the past few years has itself generated more general demand from industry. The Government, too, has become a major TV advertiser, using the medium, for example, to sell its privatisation programmes.

Banks and other financial institutions have moved in with enthusiasm. According to Media Expenditure Analysis (MEAL), the joint stock banks spent £8.6m on TV advertising in 1980. By last year, the total had risen to £50.3m. Insurance companies spent £3.5m in 1980, and £31.6m last year. The building societies' spending on TV advertising rose in the same period from £8.8m to £41.1m.

These "newcomers" certainly have no illusions about the expense of the medium. For even the rates being charged by the ITV companies – which ran 23 per cent above the retail price index in 1986 and 20 per cent higher than the RPI last year – do not measure the real rise in costs. The Institute of Practitioners in Advertising (IPA) claims that the ITV audience has declined from 56 per cent of the total to 51 per cent over the last three years and is also becoming older and more downmarket than that of the BBC.

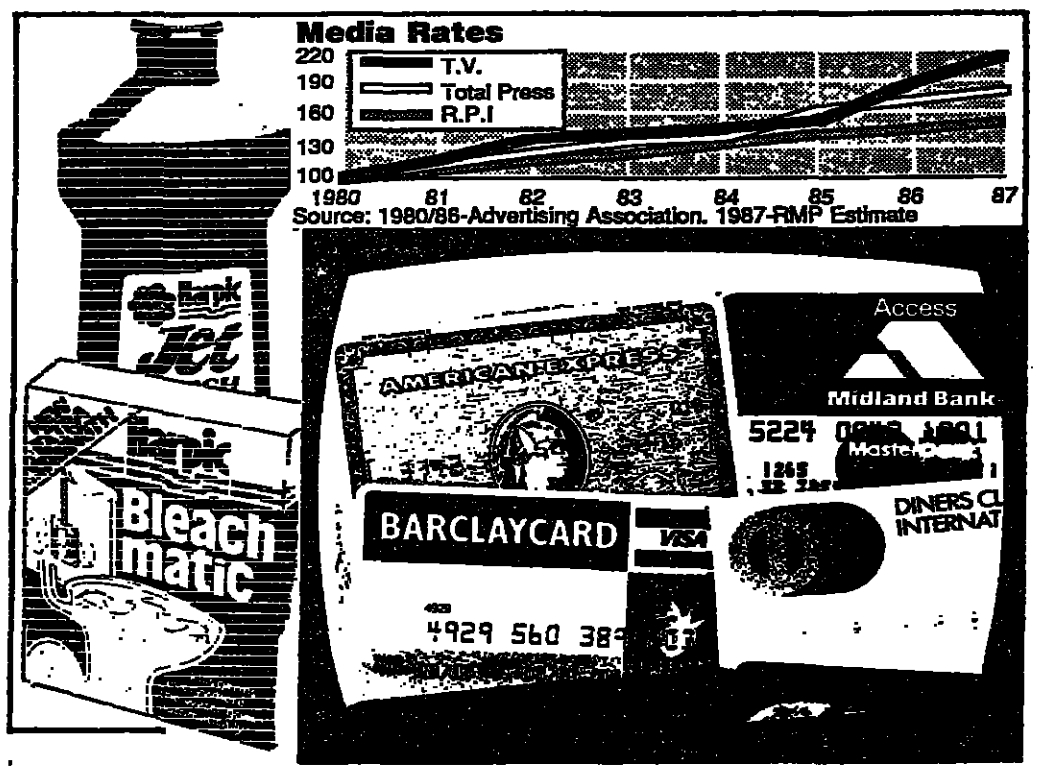
But financial institutions appear happy about the returns they get. NatWest which, according to MEAL, spent around £12.7m on TV advertising last year, says television is the most effective medium for promoting products for young people and for penetrating the mass market for loans and mortgages.

That, it adds, can be judged from the fact that NatWest is

TV advertising costs

A short-lived hiatus?

UK rate stability may be temporary, Philip Rawstorne reports



Household cleaning products have given way to financial product ads as rates have soared

now brand leader in the *young adult market and leads* bank mortgage lending with advances of more than £5bn.

Dick Spellman, divisional manager, marketing services, for the Halifax Building Society, agrees: "TV advertising is expensive. But it can deliver the goods if you use it carefully. You cannot afford to be on the box at any price."

But for many branded consumer goods, the price has already become too high. Ray Morgan, chairman of the independent media buyer, RMP, points to the evidence appearing on the small screen itself. "The British housewife – the dominant ITV viewer – must be increasingly enchanted," he says, "to see that she is being tempted more frequently by cash-cards, share offers, cars, travel and the like than by the traditional 'keep the family clean and well-fed' products."

Morgan estimates that the overall cost today of bringing a brand to 70-80 per cent of UK housewives in three or four 30 second spots a month – *considered the minimum* necessary for a worthwhile return – would cost around £300,000. "The rise in costs in the past two years has been horrific," he says.

John Dale, sales director of Pedigree Petfoods, says: "Our productivity in the past five years has doubled, but the percentage of our sales going on advertising has doubled as well. Much of the improvement in productivity is merely being used to pay for the higher advertising costs. I don't mind paying free market rates, but the present system is a recipe for disaster."

John Sharpe, chairman of Elida Gibbs, the Unilever health and beauty products subsidiary, says it hits everybody. Large advertisers must find large sums of money to sustain their advertising presence in the market. "For many smaller brands, the cost of buying into television at all is becoming a very difficult decision in terms of commercial justification."

Sharpe says companies with *advertising expenditure running* at 5-10 per cent of total revenues have been saddled with a cost increase of up to 4.5 per cent by TV rate rises during the past two years.

A company that launched a new product in 1985 on a £1.4m TV advertising budget would now have to spend about £2m to achieve the same impact.

Dick Johnson, marketing services director for Procter & Gamble, and chairman of ISBA's executive committee, calculates that if advertising costs had risen in line with RPI over the past 10 years, British industry would have "saved" more than £1.5bn – "Money which could have been used to create jobs and wealth." The cost of TV advertising in the UK was now higher than in either Japan or the United States.

Dick Emery, sales director of Central Television and chairman of the marketing committee of the Independent Television Companies Association, argues that there has now been a significant change of attitude towards advertisers' problems.

Apart from the extra opportunities provided by the move towards 24-hour broadcasting, the average advertising minutage is being increased *from six minutes to seven* minutes an hour, rising to a ceiling of 7½ minutes in peak viewing time. Share schemes - by which an ITV company serving, say, 10 per cent of UK homes would give discounts to advertisers which spent a similar percentage of their budget within its area, and penalise those who did not - have been withdrawn.

Emery claims that ITV's audience share is now increasing because of better programmes and more competitive scheduling.

But advertisers, generally, believe that their long term future depends on more radical changes in the structure of British television.

Johnson states firmly: "There is a need to inject competition into the system to promote efficiency and dynamism, and to increase the supply of TV advertising time significantly."

Channel 4 should be given its independence from ITV to develop its own national market, catering for selective target buying, he argues.

Greater competition should be injected into the next ITV franchise round in 1992. Separate weekday/weekend franchises should be established in major urban areas; and a night-time franchise should be introduced.

Encouragement should be given to the establishment of a fifth channel. It could be a national channel or a honeycomb of city-based stations. There would be ample funding for it as well as for British Satellite Broadcasting which would not make any significant contribution to the problem of available advertising time until the mid-1990s.

Other changes that might be considered, Johnson says, are programme sponsorship and the transfer of much of the Government's public service advertising from ITV to the BBC. "It would free commercial advertising time on ITV and if the Government paid for the adverts, that might help the BBC with its financial problems.

He avers: "If the Government comes forward with proposals for changes of this dimension later this year, it will make a real impact on a problem which needs solving urgently because it is a brake on the economy. It really is."

Product innovation

The chocolate box factor

Christopher Parkes on the search for winners

WHEN IT comes to romance and mystery, Bournville, the Birmingham suburb, is not a patch on the south of France and the Bermuda Triangle.

These, it seems, were the magic ingredients the UK chocolate assortments market was *missing*. Accordingly, things looked up when Cadbury withdrew its Bournville Selection and launched Biarritz in a fancy triangular box, accompanied by allusive advertisements – "strange things happen in the blue triangle."

The new product pushed Cadbury's share of the boxed plain assortments market from 8 per cent to 25 per cent in a matter of months, and chalked up another success for new product developers Craton Lodge & Knight.

According to Creenagh Lodge, CLK's research director, Biarritz left the competition standing. Black Magic and All Gold were for "mumsie" types, she says, who enjoy watching Come Dancing on television and get a box of handkerchiefs for Christmas. "Bournville selection was old-fashioned long johns. Biarritz is French knickers," she adds, celebrating the successful repositioning of an old *product in* a wider, younger and more individualistic market slot.

Biarritz is essentially Bournville Selection in a new box. CLK readily admits that a third of its NPD is in reality "old" product development.

But new or old, every candidate for the marketplace has to be exhaustively tasted and tested by CLK, Cadbury, consumer panels and advertising agents until the mix is judged right for the target market.

Life for the new product developers has been made more difficult by the fact that people no longer live, consume, entertain or dress themselves in ways which can be predicted by the measures of the old-school researchers.

The ways of women, for example, the target consumers for Biarritz, have changed radically. Women are increasingly working well into middle age and beyond. This means that they are then mixing more with younger people, are more receptive to new ideas than hitherto and are more likely to change their habits frequently, Lodge argues.

Rapid social change and the fragmentation and segmentation of traditional market sectors may be one reason for *the emergence and increasing* prosperity of consultancies like CLK. Another, according to a new study from consultancy Brand New, is that manufacturers driven to cost-savings during and after the oil crisis tended to carve up their marketing departments in a particularly savage manner.

Product developers, like many of the products they develop, have prospered because they have found a niche to exploit.

However, their prosperity is hard won. The sector is

> Biarritz is essentially Bournville Selection in a new box. A third of 'new' products are 'old'

highly competitive, laden with risk, and saddled with a potential clientele, Brand New says, which has a "cloud-cuckoo-land" attitude to innovation. Although more than half the 150 chief executives approached in a Brand New survey placed innovation among the top three factors for success, almost two thirds – and 80 per cent of food companies – said they spent less than 5 per cent of sales on new product development.

Curiously, since success in overcrowded markets is notoriously elusive, 39 per cent of the interviewees said any new product failure was unacceptable. Taken together with a recent Institute of Marketing study which showed that only 32 per cent of UK companies conducted market research and only 25 per cent invested in NPD, this presents an interesting picture of British industry's attitude to taking calculated risks.

CLK, which works to a mean success rate of 1:10, has encountered this tendency. "We live in a climate where people don't get rewards for taking risks," says Chris Wood, managing director. One of his criteria for new clients is that his agency should not work in a vacuum. "If there is no one in the organisation with a remit making him responsible for NPD, then you might as well forget it."

One difficulty appears to be *that of* handling clients' demands throughout the development process for estimates of how the new product will sell. "We cannot give the clients any estimates until we are well down the line with a product, wrapper and advertisements," says Lodge. "We just have to tell them to be brave. NPD is very high risk and begs candour."

There is candour aplenty in the latest KAE Development study of supermarket buyers' attitudes to new products. Their demands, which must be fulfilled if newcomers are even to make it to their shelves, let alone the shopper's trolley, are straightforward. *They require products* with excellent quality tailored for expanding markets with strong consumer demand...and fat advertising budgets. In that order.

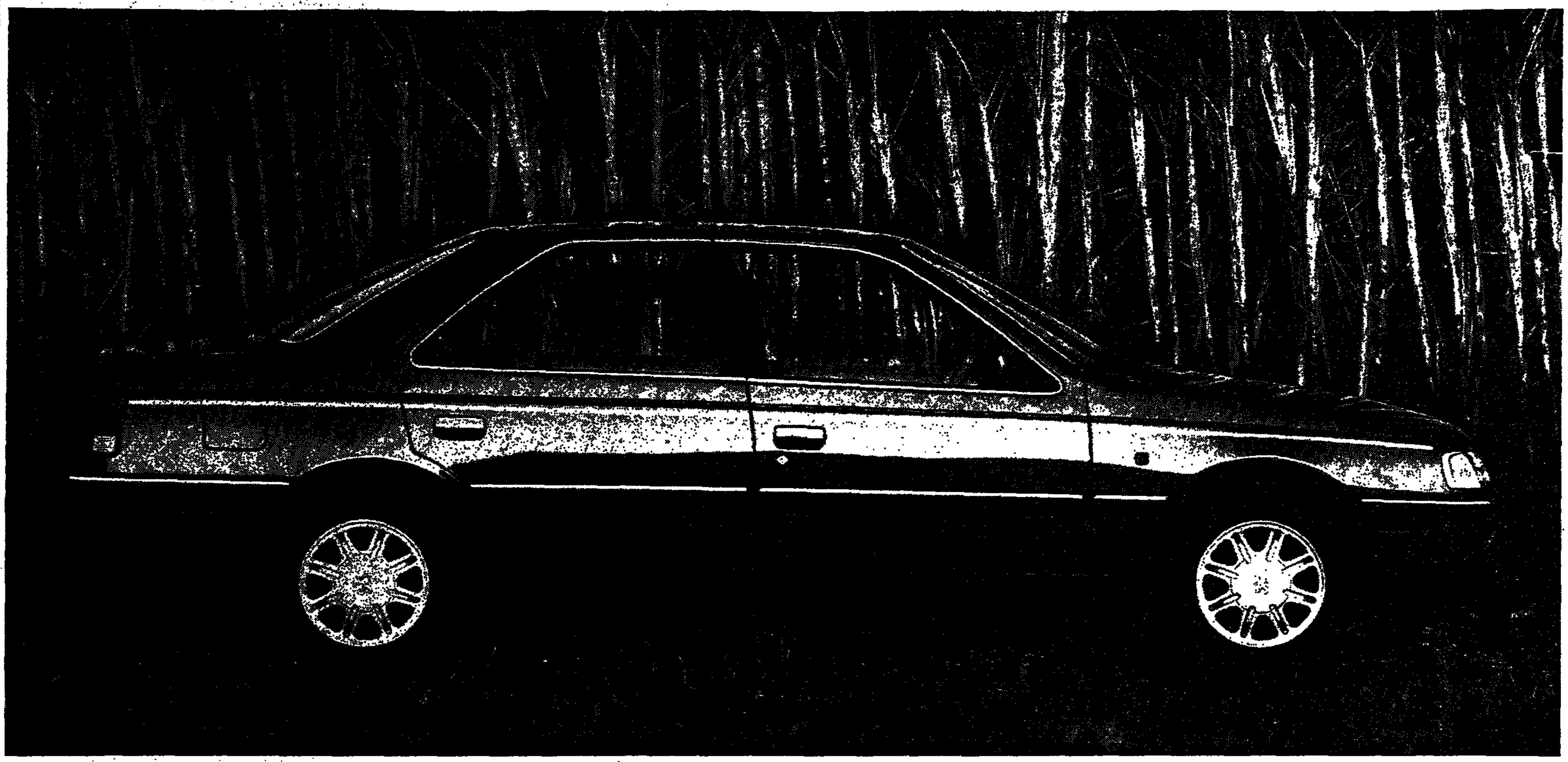
The big companies make their mistakes, but, perhaps not surprisingly, they also enjoy a consistently high success rate. The companies named in KAE's top innovators list have barely altered in the 18 years since the study was first published. Cadbury, CLK's star client, has made it to the top 10 this year for the first time since 1978, with Biarritz gaining many honourable mentions.

But only two of the companies in KAE's top 20 innovators list figure in its list of most successful new products this year. This helps to bear out KAE's contention that once won, a reputation for good product development is not easily lost. "But building the reputation in the first place is difficult if the trade has a fixed idea about a company's capabilities."

● *Innovation in Consumer Markets, Brand New (Product Origination), 49 Princes Place, London W11 4QA. Tel: 01 221 7011.*

● *New Products in Grocers, KAE Development, 7 Arundel Street, London WC2R 3DR. Tel: 01 379 6118.*

EVEN THE MOTORING PRESS ARE BREATHLESS.



The new British built Peugeot 405 was a success, even before the launch.

With the gentlemen of the press, a hard-nosed bunch if ever there was, effusive in their praise.

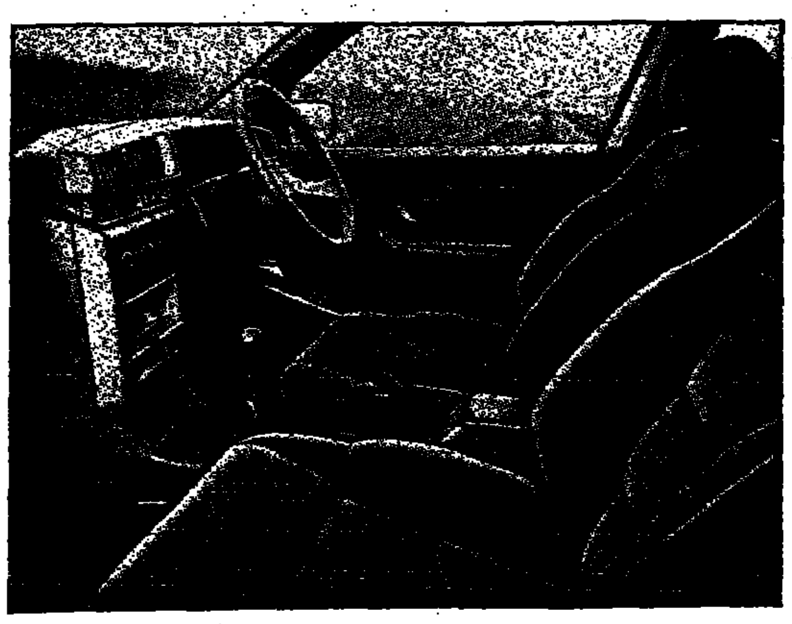
But will you be similarly impressed with this most original 4 door, 5 seater family saloon?

"Looks good, performs well, has superb handling and an excellent ride, ample room and good refinement."

MOTOR MAGAZINE

We sincerely hope so.

Perhaps the first thing to take your eye is that sleek body style. No car in its class has a lower drag factor.



Wrap-over doors, the elimination of conventional drip channels, flush-fit bonded windscreen and rear window all conspire to reduce wind-noise and so improve the aerodynamics. (Thus affording excellent fuel economy.)

Look closer and you'll find that the eye-catching design incorporates many smaller points, showing an almost obsessive attention to detail.

Like mounting the windscreen washer jets on the wiper arms. The spare wheel mounted under the boot floor, for easier access. The wide rear doors, for ease of entry. And a whole lot more besides.

Inside there's a tilt adjustable steering column. Remote control rear-view mirrors. Height adjustable front seat belts. Hinged radio cover. And a 'lights on' warning buzzer, all fitted as standard.

As you can see from the spacious interior, luxury too comes as standard.

With a wide selection of fine upholstery and carpeting combinations.

But to fully appreciate the 405, you really must get behind the wheel and drive it. For when it comes to handling and performance, Peugeot have virtually cornered the market.

"Peugeot would appear to have another winner."

AUTOCAR

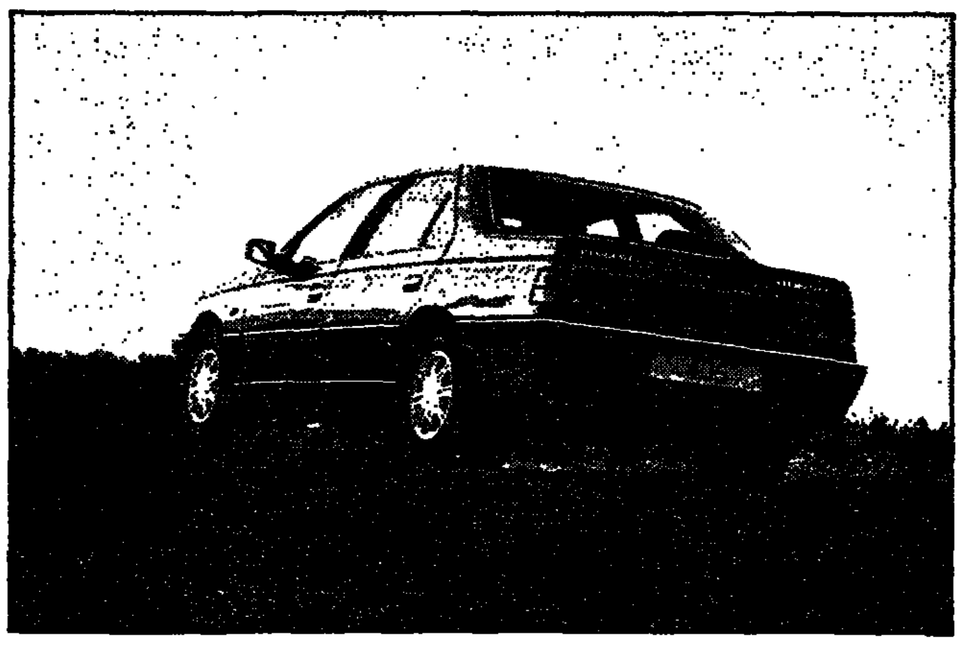
The all aluminium alloy, ohc engine, allied to a five speed box and much praised Peugeot suspension proves to be a potent combination.

"A very real challenge."

WHAT CAR

Making this a real driver's car.

While off the road (to think of such a thing!) the 405 is designed to spend an absolute minimum of time in the service bay. With a battery of labour and money saving features.



There are 8 models to choose from, with varying levels of specification, culminating in the top of the range, 124 mph GTX Injection.

Heralding a new era in car production, the 405 has just been voted 'European Car of the Year,' by a jury of respected journalists.

Obviously it took their breath away.

May we suggest you take a test drive and experience the sensation yourself?

PEUGEOT 405

THE LION GOES FROM STRENGTH TO STRENGTH.

FOR A FULL INFORMATION PACK ON THE 405 RANGE, CALL US FREE ON 0800 400 405 (24 HOURS A DAY).

Well-managed firms with the best products, the most competent workforce and the sharpest marketing departments can go out of business.

True or false?

True! The world is littered with Corpses of firms which have been put out of business by the volatility of the economic environment. Corpses of firms which have been exposed to hostile takeovers.

Why? Because volatility in the price of interest rates, currencies and commodities has exposed financial risks we haven't recognized or managed in the past.

A firm may think its profitability is ensured as long as it manufactures the best widget, not realizing that price fluctuations could diminish or wipe out expected cash flows.

At the same time, uncontrollable price changes don't have to destroy the firm.

At Chase we have the answer: financial engineering for risk management.

As a global institution offering a full range of investment banking services backed by the power of a strong commercial bank, Chase can identify and reduce your risk exposure no matter what business you're in.

Strategic Risk Versus Core Business Risk

Unanticipated economic changes outside a firm's direct control that affect its performance are called strategic risks.

Core business risks, on the other hand, are the risks most firms have to take based on production, technology, labour and capital input decisions.

Most companies know how to manage the latter and understand how they can affect a firm's profitability.

However, profitability also depends on volatility in the economic environment.

Strategic risks, for example, can put the firm out of business, negatively affecting even the most technologically competitive firm in the industry.

Depending on its core business, the firm may face exposure to several different variables in its economic operating environment.

Price changes may result from a monetary policy shift in Bonn or new government regulations in Tokyo.

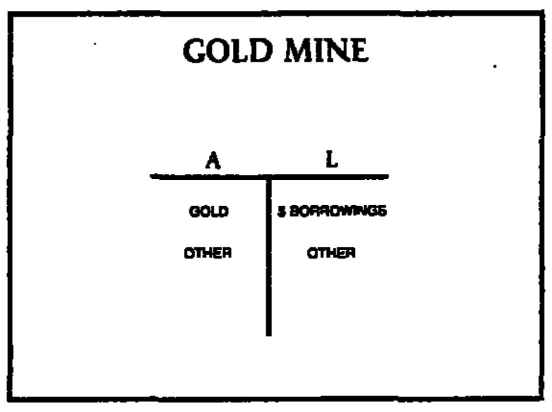
Strategic risk therefore results from the core business but is separate from it; accordingly it should be managed separately.

But before strategic risk can be managed, it must be identified.

Strategic Risk Identification

A simple T-account illustrates how not recognizing strategic risk can be critical, since these price risks can show up on almost any corporation's balance sheet.

Here's the T-account for a US-based gold mining corporation:



Basically, the gold mining firm is long gold and short dollars.

On the liability side, it borrows dollars at a floating rate for, say, five years with the rate re-priced every six months.

On the asset side, the firm receives flows of income depending on the price of gold, which may change daily.

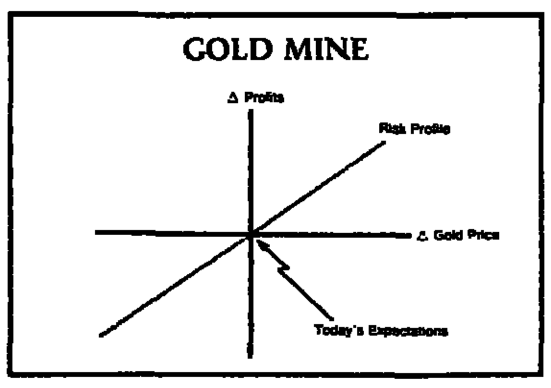
The firm uses its income to pay its workers in dollars.

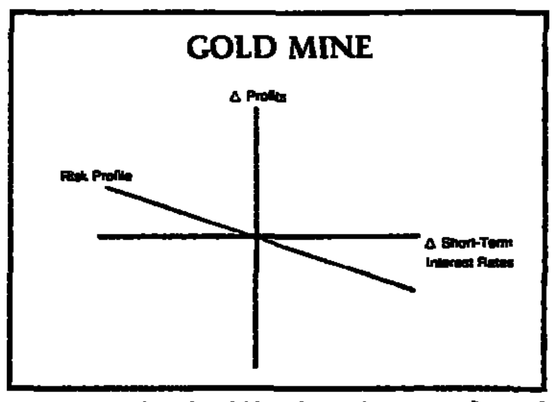
Subtracting the dollar-based labour expenses and the interest rate-indexed borrowing costs from the gold price-determined income leaves the profits of the firm.

A sudden decline in the price of gold or a jump in interest rates can drive today's profits to tomorrow's bankruptcy.

No matter how state-of-the-art the firm's extraction machinery or excellent its workforce, two fundamental things will determine the firm's profitability: the price of gold and the cost of borrowing.

These exposures can be illustrated with risk profiles:





This analytical tool identifies and measures financial risk. The steepness of the slope of the risk profile indicates the amount of exposure a firm has to a particular price variable.

In the case of the gold mining firm, there is a large risk exposure to gold price changes and a lesser exposure to interest rate changes.

How can the firm manage these strategic risks and get on with the underlying business of digging gold out of the ground?

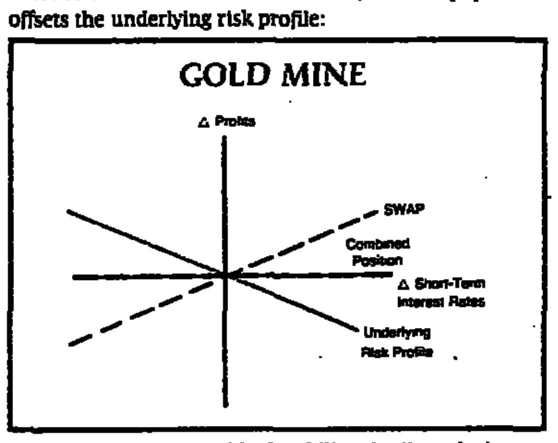
The Building Blocks of Strategic Risk Management

The development of markets in options and swaps, together with the growth of the forwards and futures markets, provides the tools for managing a firm's strategic risk.

Using these four basic products like a child uses toy building blocks, large banks can put together hedging instruments that exactly match the requirements of individual clients.

A swap, entailing the exchange of a fixed rate interest payment with a floating rate receipt, can protect the gold mine from fluctuating interest rates.

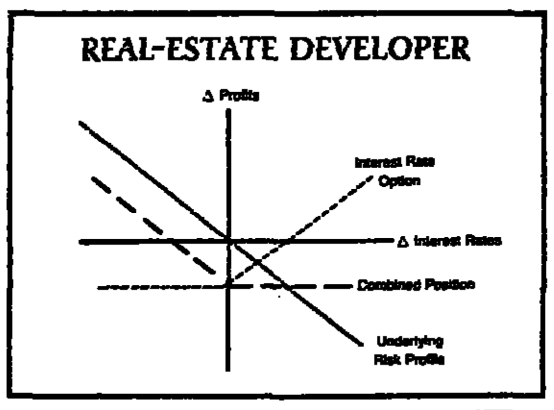
Using the risk profile framework, the swap can be shown as an upward sloping line; the gold mine firm receives floating rate payments, which increase as the short-term interest rate rises. Thus, the swap position offsets the underlying risk profile:



Options also provide the ability to tailor solutions to particular customer requirements.

Consider a real-estate developer whose profits are affected by interest rates not only through their determination of borrowing costs, but also by their impact on the demand for new construction.

A simple call option gives the real-estate developer the right, but not the obligation, to borrow funds at a certain rate. Thus, he has protection against the down-side risks of rising interest rates but retains the up-side benefits of falling rates:



Using The Building Blocks

At Chase Manhattan, we've developed the building block approach to financial engineering to solve our clients' increasingly complex strategic risk exposures.

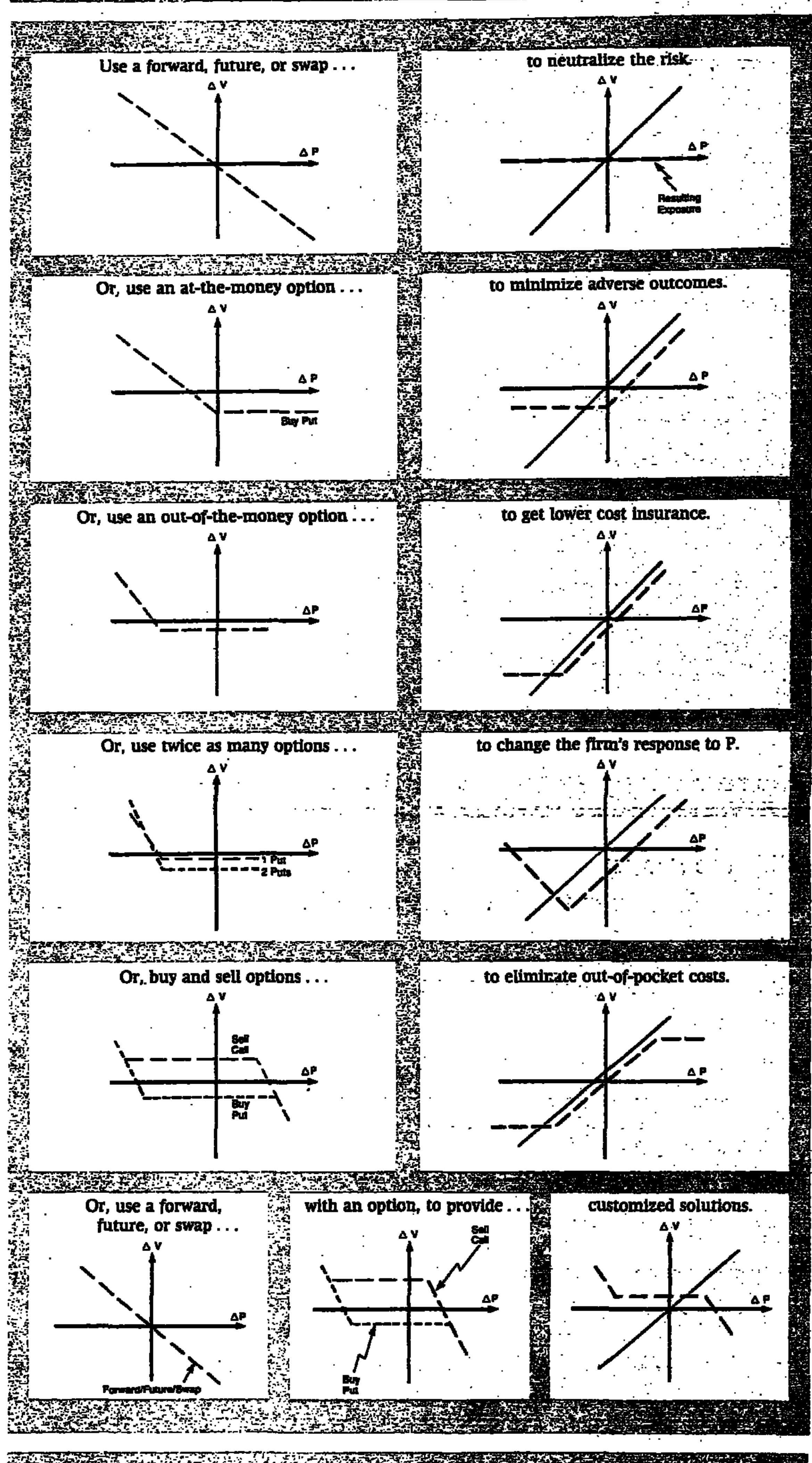
Using our expertise with the basic building blocks, we produce financial solutions that are sophisticated but uncomplicated, cost-effective and tailored to specific customer needs. The approach combines the highly professional skills of our dealers handling each of these instruments in worldwide markets with the creative and complementary skills of our financial engineers.

And each time Chase snaps together the building blocks to design a financial solution, the next deal becomes even easier.

A year ago, many financial market participants couldn't even provide prices on US-dollar interest rate options of maturities longer than one year or in amounts of more than $500 million.

Chase has been providing those quotes daily with minimum turnaround time. We also offer capped or collared loans with a tenure of seven years or more with little or no delay.

Snapping Together The Building Blocks



Successful Risk Management and [illegible]

In the best of all possible worlds, a real-estate developer needs a loan whose interest costs fall when higher interest rates begin to damage the company's cash flow. It's an innovative idea, and the Chase Reverse Floating Loan provides precisely that protection.

Ideally, a gold mining firm should be able to finance its operation in gold, making interest payments in gold to protect itself from fluctuations in both interest rates and in gold. It's a novel approach, yet Chase makes loans with both principal and interest payments fully denominated in gold.

Consider a manufacturing firm that's worried about increased borrowing costs in the future, but can't afford to increase current expenses to buy options — once considered the most costly vehicle for protection against higher rates.

Chase, using our Special Transactions Capabilities, [illegible]

These are only a few examples of how Chase can apply financial engineering to complex problems.

Our expertise in providing liquidity through the credit and capital markets, along with our key position dealing in risk management instruments, means we can build the solution to manage any strategic risk our clients face.

For more information on how we can help you manage your company's risk, take a chance. Call Nick Robinson on (01) 726 7240.

CHASE

TECHNOLOGY

Israel's march towards high-tech Zionism

By Abdo Kadifa and Chibli Mallat

IN 1984, Shimon Peres, then Israeli premier, announced that his country was entering "the third stage of Zionism". After the first two stages, which he defined as the conquest of work and conquest of the land, he said Israel must usher in the era of the conquest of science; this third stage was to be achieved by the unrestrained development of high technology.

The emphasis on technology has been actively pursued since the early 1980s, and, as a small developing country, Israel has been unusually successful in producing military and commercial technology.

The scale of its success is impressive: science-based exports jumped from $230m in 1976 to $1.4bn in 1982. And although much of the output is in the highly publicised "battle-bred" military equipment, the sophistication of commercial products in some areas matches the quality of European and Japanese industries.

The variety of products manufactured by Israeli companies is also remarkable. They include microprocessor systems, thin-film electronics, integrated circuits, fibre optic communication devices, medical imaging equipment, surgical and industrial lasers, and biotechnology kits.

A good example of the diversity and breadth of the country's high technology is Elron Electronics Industries, the industrial conglomerate. Elron's most successful division is Elbit, which produces military computers and avionics equipment. Other divisions include Fibronics and Optrotech, involved respectively in data communications and robotic vision systems, while another wing, the Zoran Corporation, designs and manufactures semiconductors.

Elron also exploits medical equipment and biotechnology with Elscint and the Biotechnology General Corporation.

However, such outward signs of technological success hide serious constraints on Israel's growth in technology. The Government itself has been accused of hindering expansion through interference in the economy. As a legacy of early Zionism, the Israeli State plays an interventionist role with a bureaucratic apparatus used to enhance the "socialist" appearance of the country. Prospective investors in Israel often complain that Israel's problem is a Government-imposed economic gridlock.

Also, the high-technology thrust has been hampered by Israel's economic recession. Until 1977, growth of Israel's gross national product (GNP) averaged between 7 and 10 per cent. In recent years it has declined to between one and 2 per cent. Although inflation is no longer in three-digit figures, it still lingers at around 20 per cent. The war effort, which demands 30 per cent of the country's GNP, places a significant strain on the economy, and foreign debt stands at $6,500 per capita – the highest in the world.

Israel's success has also been tempered by its inability to manufacture its products on any large-scale basis. A lack of minerals and other raw materials needed to sustain more conventional export industries, and the absence of a local inexpensive workforce, has forced the country to concentrate on low-volume, high-premium products. In the only case where the mass production of a high-tech item was attempted – the Lavi jet fighter project – the international situation and financial constraints made it impossible to continue.

Successes for Israeli high-tech companies can, therefore, only be relative. Mass production of high-technology goods, which could yield substantial revenues, would require a total national and international mobilisation which is almost impossible for a small economy.

Nevertheless, a number of companies have attempted to take advantage of the concept of specialised niche markets. The Elron conglomerate has been particularly active in financing such ventures and invested heavily in its affiliate, Elscint, which produces medical imaging equipment. Scitex, an independent company, also attempted to exploit this concept in the computer graphics market.

The drawbacks of such a strategy are considerable. The life of a successful innovative product lasts only as long as the prospective market is not saturated with competitive products which have been mass-produced by larger corporations.

Both Elscint and Scitex were confronted with this problem and sustained heavy losses as their market niches became mature. In 1986, the companies lost US$116m and US$33.7m respectively and the Government was forced to intervene in an attempt to save them from bankruptcy.

The success of Israel's technology drive has also been limited by lack of capital. High technology is a capital intensive industry. Its basic production vehicles, sophisticated equipment and skilled manpower are expensive.

Product development cycles require a large influx of continuous and steady investment before reaching profitable products. Readiness for high risk is important; the success of one venture is paralleled by a multitude of bankruptcies.

Israel cannot sustain a policy of industrial redeployment on the basis of high-technology without outside help. Although the Government has passed laws alleviating tax burdens for new companies and set up special organisations for financial and administrative co-ordination, funding in Israel itself is not sufficient. Companies are obliged to go overseas for capital. More than 25 Israeli companies are traded on the US stock market, and $250m has been raised through share issues in the past five years.

The expansion of technology has also been hindered by lack of a regional market. The Middle East market is barred because of political considerations and its relative economic immaturity.

The majority of the accessible Third World countries hardly consume any high-tech products except in the form of military equipment. And even in this sector, Israel is experiencing severe difficulties in obtaining repayments, with approximately $300m of Israeli arms exports considered unrecoverable.

But the Government has successfully striven to overcome the lack of a regional market by opening up alternative markets elsewhere. It has signed two important free trade agreements – with the EC in 1975 and the US in 1985. These have created an export market for Israeli goods, unimpeded by tariffs or quotas, in over two thirds of Israel's present world outlets.

However, the base of the country's technological drive remains fragile. Many of Israel's highly-skilled engineers and scientists – the basic asset of the country – support research and development centres in foreign multinationals.

Israel enjoys a steady flow of home-grown technology graduates from such world-renowned universities and research centres as the Weizman Institute, the Hebrew University and Technion. It also has the highest number of Massachusetts Institute of Technology graduates per capita of any country outside the US.

However, these skilled Israeli workers are already being attracted abroad. Any setback in high-tech industries, such as has been occurring over the past two years in the electronics sector, threatens to drive scores of highly skilled engineers abroad in search of a better equipped technical environment, and more stable and lucrative jobs.

The country's policy is also fragile because much of the resources directed towards technology have been geared towards the military. Although military production has allowed Israel to export to Third World countries, there will be difficulties in sustaining the present effort.

The director general of Rafael Armament Development Authorities said: "In the case of consumer products cost usually decreases from one generation to the next. For military products the emphasis on almost impossible performance requirements leads to ever more complex systems from one generation to the next."

It is this heavy bias on the military which means that Israel's technology-led economic expansion does not appear to present a model for other developing countries.

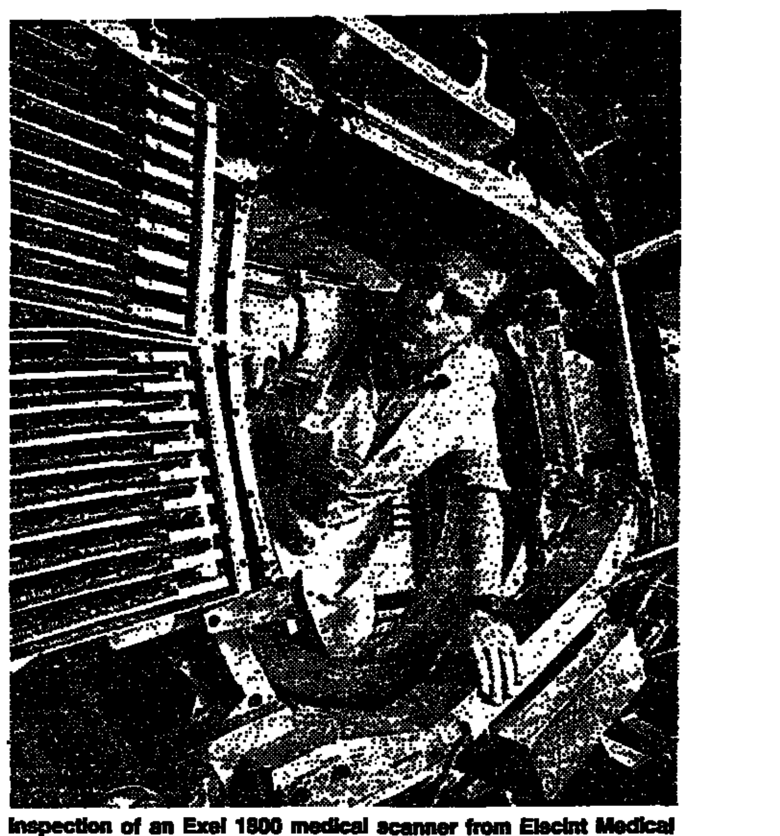
Nor do other countries benefit from the favouritism in the international market that Israel enjoys. If developing countries want to establish a high-technology industry, they cannot count, like Israel, on unhampered technology transfer, easy capital, and tariff-free foreign outlets.

The price to be paid for such favouritism, however, is a constraint on political independence. For almost all its high-tech manufacturing and marketing, Israel still relies on foreign participation.

An alternative can be envisaged. For a healthy development, Israel needs a reallocation of resources away from the military. Although Israel's high-technology drive was originally intended to conserve its superiority over its neighbours, it could be re-directed if the economic walls surrounding the country were to disappear.

A change in the perception of Israel in the region, from the confrontational mood to open-door policies, would decrease its dependence on the West. A synergy could be created with its Arab neighbours, generating a significant regional market which could contribute to the growth of all parties. Then, instead of serving military requirements, high-technology will address and solve real development problems.

Abdo Kadifa is a computer systems engineer with Xerox in the US. Chibli Mallat is a lawyer, specialising in Islamic and international law.



Inspection of an Exel 1800 medical scanner from Elscint Medical Diagnostics. The company incurred heavy losses as markets matured and sales became harder to achieve.

WORTH WATCHING

Edited by Geoffrey Charlish

Kodak doubles up on colour imaging

TWO MAJOR developments in the colour imaging field were recently revealed by Kodak at a New York trade show. One is a colour copier which, at 23 copies per minute, is four times faster than any existing colour machine, according to Kodak. The other is a prototype of an electronic high-speed colour printer based on light emitting diode (LED) technology and an advanced ink jet printing unit working in four colours.

The high volume colour copier is expected to be particularly attractive to "quick print" and in-plant establishments and in general business and office applications where colour is needed. Called ColorEdge, the unit will be available in the US in March and in Europe later in the year.

Small company line to big company features

MANY OF the facilities associated with larger company telephone exchanges are provided in a microprocessor-controlled system introduced by Ansamatic of London.

The exchange, called London 8, costs £600, including the cost of the handsets. It has lines that can be variously arranged as extensions or exchange lines, and incorporates a typical system of two outside lines and four extensions.

Any extension phone can be made the "switchboard" if a full-time operator is not required, and all the extensions can hold and transfer calls to other extensions.

Up to four incoming callers can be "parked", and London 8 can bar selected extensions from making international, national or even local calls. Other facilities include conferencing, abbreviated dialling of up to 40 numbers and call logging (with the addition of a printer).

Quick picture of tighter security

SECURITY SURVEILLANCE single-frame television "snapshots" can be sent down a telephone line in seconds using a system from Robot (UK) of Derby.

Approved for use on the UK public telephone network, the system employs data compression of the video signal to allow a reduced clarity picture, complete with a character display of site details, to be sent quickly. Alternatively, a full definition picture can be transmitted in under 20 seconds.

The system, called Robot 3500, enables remote site cameras to be programmed from the central point, *obviating* site visits. Triggered by an alarm system, a camera will automatically dial the central receiver and deliver its picture.

US shortcircuits shopfloor control

AMERICAN electronic engineers have invented a circuit board which can control up to 32 motors at once, writes Clive Cookson.

Existing commercially available circuit boards can operate only two or three motors simultaneously.

The board was made at the Los Alamos National Laboratory in New Mexico to meet a very specific technical requirement – to align 96 separate laser beams so that they all hit a target, the size of a grain of salt, at a distance of 600 metres. But the inventors believe it could be used commercially in many automated industries where large numbers of devices need to be co-ordinated.

"One of our circuit boards could operate most of the equipment requiring positioning in a petroleum refinery or automobile assembly plant," says Bert Kortegaard, a member of the engineering team.

Each board contains 120 computer chips and 250 diodes, wired together on a 6-inch by 12-inch card. It can control the speed of 32 *motors*, and several boards can be wired together to operate hundreds of motors simultaneously.

The Los Alamos engineers say conventional electronic controls require far more bulky equipment and operate much more slowly than their new boards.

The design has been patented – which is unusual for this type of electronic equipment – and the inventors have set up a private company at Los Alamos, called R and D Controls, to manufacture the board.

CONTACTS: Kodak: UK office, 0442 61122. Ansamatic: London, 446 2451. Robot (UK): 0332 812446.

Spending plans should allow for real growth of 1¼%

THE GOVERNMENT yesterday published its White Paper on Public Expenditure. The main points are outlined here:

Over the next three years, government spending will continue to fall as a proportion of national income. It is planned to fall further than was envisaged in last year's White Paper. By 1990-91, the proportion will be lower than at any time since the early 1970s.

The plans for government spending should allow growth in real terms of an average of about 1¼ per cent a year, well below the expected growth of national income.

The public expenditure planning totals have been set at £156.8bn for 1988-89, £167.1bn for 1989-90 and £176.1bn for 1990-91. These totals include Reserves to meet unforeseen requirements of £3.5bn, £7bn and £10.5bn respectively; the Reserves in the two later years are higher than in any previous plans.

Compared with the last White Paper, extra resources have been allocated to the Government's priority services, including health, education, law and order, defence and inner cities. Provision for social security and local authority current spending has also been increased.

Extra provision of about £1½bn in 1988-89 and 1989-90 has been made for capital spending, including large increases for the nationalised industries and for housing and education.

The reductions in the burden of debt interest, in unemployment and in subsidies to industry have helped to make room for these increases within a declining path for government spending in proportion to national income.

The Government is improving the value for money from public expenditure. This White Paper contains examples of what is being achieved.

The Government's plans for public spending form an integral part of its economic policy and, in particular, the Medium Term Financial Strategy (MTFS) which aims to reduce inflation and to maintain the conditions for sustained growth, the creation of jobs and rising living standards.

Within that framework, the Government's objective for public spending is to hold its rate of growth below the growth of the economy as a whole and thus to reduce public spending as a proportion of national income. This will enable a low level of borrowing to be combined with reductions in the burden of taxation, so encouraging enterprise and efficiency and thus the growth of output and employment. The ratio of general government expenditure to Gross Domestic Product has been falling since 1982-83 and the plans set out in this White Paper will ensure that this downward trend continues.

The Government is concerned also to improve value for money, and each year reviews not only the financial claims of departments' programmes but also their progress in improving efficiency and effectiveness.

The Autumn Statement, published on November 3, 1987, contained the results of the 1987 Public Expenditure Survey in broad terms. This White Paper gives more detail. The spending plans for the coming three years are determined and controlled in cash and the plans for 1988-89 will form the basis for the Supply Estimates, cash limits and other spending controls for that year. Revised projections of government receipts and borrowing over the medium term will be contained in the Financial Statement and Budget Report, to be published on Budget day.

This year the White Paper has been developed and improved in a number of respects. It gives a clearer and fuller account of the distribution of spending between central and local government and the public corporations. It includes a fuller historical chapter. It also includes for the first time a summary of government spending on science and technology.

VALUE FOR MONEY

The Government attaches high priority to getting better value for money from all public expenditure. This involves cutting out waste and maximising the efficiency with which programmes are delivered.

This White Paper, like its predecessors, provides improved information about the output and performance which has been achieved and about the targets for the future. The increasing use of such targets reflects the greater emphasis in the management of programmes on what is being provided and not just on the amount being spent.

The steps taken to achieve this include improved budgetary control and the development of better output and performance measures, which form part of the financial management initiative. All this work is aimed at providing a clearer picture of what is being achieved at what cost, and giving managers clear forward targets for which they can be held accountable.

These broader reforms continue to be supported by more specific initiatives. Examples are the programme to improve value for money in purchasing and supply by government departments. In 1986-87, departments achieved value for money improvements totalling some £290m; for 1987-88 they have set a target for improvements of about £390m and for 1988-89 a target of about £450m. At the same time efficiency scrutinies are saving some £325m a year, while contracting out is now saving more than £30m a year on activities previously handled by the Civil Service.

The Government will continue to encourage a similar approach in other parts of the public sector, by helping to create the right statutory and administrative framework and where appropriate by setting demanding targets. This is already producing results and pointing the way to achieving more. For example, in the National Health Service, cost improvement programmes are now yielding over £500m a year in England. In the local authorities, the Audit Commission has identified potential scope for major value for money improvements of the order of £2bn and these will be encouraged by the present reform of local government finance and by legislation to widen the scope of competitive tendering. In the nationalised industries since 1979-80 average productivity has improved more than twice as fast as productivity growth in the economy as a whole.

PLANNING TOTAL

There are different ways of defining public spending and different aggregates are relevant for different purposes. The measure which is used for formulating macroeconomic policy and the MTFS is general government expenditure, which is the combined spending of central and local government including debt interest and is a comprehensive measure of the amount which has to be raised by taxation and borrowing. For the purposes of planning and control of programmes, however, the public expenditure cash planning total is the focus of attention since it is built up from the control totals for departmental programmes including public corporations.

There are differences between the planning total and general government expenditure, the main difference between the two aggregates being debt interest, which is forecast to be about £18bn in each of the three years 1988-89 to 1990-91. Partly as a result of the reduction in government borrowing in recent years, debt interest has declined as a proportion of GDP from 5¼ per cent in 1981-82 to 4¼ per cent in 1987-88. It is expected to fall to 3½ per cent by 1990-91.

1987-88 OUTTURN

The estimated outturn for the planning total in 1987-88 is £147.3bn, £1.3bn below the plans published in the 1987 White Paper. The main reason for the reduction is higher-than-expected capital receipts of local authorities and New Towns.

FUTURE YEARS

The planning totals for 1988-89 and 1989-90 are £156.8bn and £167.1bn respectively, compared with plans of £154.2bn and £161.5bn in last year's White Paper. A planning total of £176.1bn has been set for 1990-91. These totals include unallocated Reserves of £3.5bn, £7bn and £10.5bn, which will be available to meet unforeseen requirements, including revised estimates of demand-led expenditure. The Reserves in the two later years are higher than in any previous plans.

PRIVATISATION

The proceeds of the Government's privatisation programme are included in both the planning total and general government expenditure. This programme seeks to increase efficiency by introducing competition and wider commercial pressures, and to widen share ownership. The plans include estimated receipts of £5bn a year, the same as in last year's White Paper. The figures for 1987-88 take account of the receipts from the sale of BP shares in October. They do not reflect the costs that the Bank of England has incurred in acquiring shares under the arrangements announced by the Chancellor on October 29.

ANALYSIS OF PUBLIC EXPENDITURE

The analysis by department draws together the spending within the compass of each department and Secretary of State, whether it is by the department itself, by the public corporations it sponsors or by local authorities.

Increased resources have been made available for health, education, law and order and defence. At the same time estimates of demand-led expenditure on social security have been increased.

DEFENCE

The Government's aims for defence are to ensure the security of the nation and maintain its freedom, in particular by maintaining the effectiveness of its contribution to the Nato alliance. Provision for defence is being increased by about £230m in 1988-89 to some £19.2bn and will rise to some £20.6bn in 1990-91.

The UK's defence capabilities will continue to benefit from the substantial real increase in provision since 1978-79. Equipment orders since 1979 have included 60 major ships, seven regiments of Challenger tanks and over 500 aircraft for the Royal Air Force.

A wide range of measures is in hand to improve efficiency and value for money, particularly through increased competition in equipment procurement and the contracting out of support services to the private sector, which has led to a reduction of some 11,000 posts since 1979 and an annual saving of about £40m compared with the in-house provision of the services. In addition, around 100 specific value for money targets have been set for management areas of the department.

Improvements in the use of service manpower have also been made. The expansion of the reserve forces has continued and further steps have been taken to transfer regular personnel from non-operational support to front line tasks.

AID

The purpose of the Overseas Aid programme is to promote sustainable economic and social development and to alleviate poverty in developing countries, particularly the poorest. This is consistent with serving the UK's political and commercial interests.

The net aid programme for 1988-89 is set at £1,305m. The plans provide for an increase of 15 per cent in cash terms between 1987-88 and 1990-91, significantly faster than projections of general inflation. If the Chancellor's proposals to alleviate the burden of debt on sub-Saharan African countries are implemented, additional resources will be made available to the aid programme.

About 60 per cent of the programme is spent on bilateral aid, including both financial aid and technical co-operation, to over 120 countries. Over three quarters goes to countries with an annual income per head of $795 or less, many of which are in the Commonwealth. The main focus is on long-term development but emergency relief, including food aid for countries suffering from famine, is also provided. Some 40 per cent of the programme is provided as multilateral aid through channels such as the World Bank Group, the European Community and various United Nations agencies. Increasingly, efforts focus on assisting developing countries, particularly in sub-Saharan Africa, to undertake economic policy reforms to provide for sustainable growth.

AGRICULTURE

Spending on agriculture is largely determined by the Common Agricultural Policy (CAP) of the European Community. The Government's objective in Community negotiations is to bring spending under control while continuing to foster an efficient and competitive agricultural industry, taking account of the interests of producers, consumers and the rural economy and environment.

The provision for market support reflects the achievements of the December 1986 Agriculture Council under the UK presidency and the Government's commitment to achieving reform of the CAP.

Increases compared with the last White Paper of approximately £40m a year are planned for domestic spending, principally to reflect the cost of the farming and rural enterprise package designed to ease the transition to a more market oriented CAP and increased payments for flood defence.

TRADE AND INDUSTRY

The department seeks to encourage enterprise and the process of wealth creation through an open and competitive economy at home and abroad, working with business to promote enterprise and the spread of best practice, and ensuring a fair level of protection for the consumer and investor.

Expenditure is planned to decline over the years to 1990-91 mainly as a result of the increased ability of the nationalised industries sponsored by the department to meet their financing requirements from their own resources. Since the last White Paper additions have been made for increased expenditure on programmes to encourage enterprise and wealth creation. These include regional, inner cities and business development programmes. Additions have also been made for launch aid for the new Airbus A330/340 amounting to £450m in total, of which £400m will be spent in the next three years.

Major changes in the department's programme were recently announced. These include a new business development initiative aimed at raising permanently the level of management performance in small and medium sized companies nationally. Specific elements of this initiative will be grants available in the Development Areas where the Regional Development Grants Scheme is to be closed. Continuing a trend foreshadowed in Cm 56, support for innovation in single companies will be limited to start up and growth of small firms in new technologies, to very small firms in Development Areas as part of the business development initiative, and to projects offering exceptional benefits.

EMPLOYMENT

The main aims are to promote enterprise and job creation, to help unemployed people into work, to help the labour market work more efficiently, to promote training and to improve industrial relations and health and safety at work.

There are a number of broadly balancing increases and reductions within the new totals. There is increased provision for support for tourism, Jobclubs, the Health and Safety Executive, adult training (as a result of the employment measures announced in January 1987) and for the Youth Training Scheme (YTS), reflecting the withdrawal of income support from school leavers. The Job Release Scheme and New Workers Scheme will be closed for applications from January 31, 1988.

Increases in output and efficiency have been achieved in many areas and more are planned. For example, entrants to the Enterprise Allowance Scheme have increased from 60,000 in 1985-86 to a planned total of 110,000 in 1988-89. The number of job entries from Jobclubs is expected to increase from 89,000 in 1987-88 to 156,000 in 1988-89, with a further improvement to 180,000 by 1990-91. The number of disabled participants on employment rehabilitation courses is forecast to increase from 23,560 in 1987-88 to 36,575 in 1988-89 and the cost per disabled person resettled by an employment rehabilitation centre is expected to fall from £3,345 in 1987-88 to £1,965 in 1988-89. The percentage of YTS trainees gaining a qualification is planned to improve from 25 per cent in 1987-88 (up from 21 per cent in 1985-86) to 75 per cent by 1990-91.

PUBLIC SPENDING IN REAL TERMS BY DEPARTMENT†
(£bn - base year 1986-87)

	1985-86 outturn	1986-87 outturn	1987-88 est. outturn	1988-89* plans	1989-90* plans	1990-91* plans
Defence	18.5	18.2	18.1	17.6	17.7	17.7
Foreign and Commonwealth Office§	1.9	1.9	2.0	2.0	2.0	2.0
European Communities	0.8	1.1	1.3	0.7	1.3	1.1
Min. of Agriculture, Fisheries and Food§	2.5	1.9	2.0	2.0	2.1	2.2
Trade and Industry	1.9	2.3	1.9	1.3	1.2	1.1
Energy	0.7	-0.2	0.3	0.1	-0.2	-0.4
Employment	3.5	3.9	3.8	3.9	3.8	3.8
Transport	4.8	4.7	4.5	4.7	4.5	4.5
DoE – housing	3.1	2.8	2.4	2.8	2.7	2.5
DoE – other environmental services	4.0	3.9	3.8	3.5	3.8	3.5
Home Office‡	5.5	5.8	6.4	6.5	6.5	6.5
Education and Science	14.3	15.7	16.5	16.5	16.5	16.5
Arts and Libraries	0.8	0.8	0.9	0.8	0.8	0.9
DHSS – health and personal social services	17.1	17.9	18.8	19.0	19.2	19.5
DHSS – social security	42.7	44.4	44.5	44.5	45.3	46.1
Scotland	7.4	7.7	7.8	7.8	7.6	7.8
Wales	2.9	3.1	3.2	3.2	3.2	3.2
Northern Ireland	4.5	4.6	4.7	4.7	4.7	4.7
Chancellor's departments	1.3	2.1	2.2	2.3	2.3	2.3
Other departments♦	1.3	1.3	1.4	1.5	1.5	1.5
Reserve				3.2	6.2	9.0
Privatisation proceeds	-2.8	-4.4	-4.8	-4.6	-4.4	-4.3
Adjustment¶			0.5			
Planning total	137.7	139.2	141.3	143.9	148.2	151.6
Gen Government gross debt interest	18.2	17.6	17.1	17.0	16.0	15.0
Other national accounts adjustments	7.1	8.0	7.2	7.0	7.0	7.0
Gen Government expenditure	163.0	164.8	165.6	168.0	171.3	174.0

† Cash figures adjusted for inflation.* Department figures for these years make no allowance for allocations from the Reserve; § Including Overseas Development Administration; § Including Intervention Board for Agricultural Produce and Forestry Commission; Including Export Credits Guarantee Department; ‡ Group comprises Home Office, Lord Chancellor's Department, Northern Ireland Court Service, the Crown Prosecution Service, the Serious Fraud Office and the Crown Office, Procurator Fiscal Service and Lord Advocate's Department; ♦ Including Property Services Agency and Civil Superannuation; ¶ An adjustment for the difference between the Treasury's overall view of likely outturn for 1987-88 and the sum of the other items shown

TRANSPORT

The department seeks to increase efficiency and reduce the unit costs of transport (for example by maintaining and improving the national road system), to protect and improve safety, to conserve the environment and to advance UK transport interests abroad.

The department's spending is concentrated on infrastructure and additional resources have been provided for a programme of bridge maintenance. Compared with 1987-88 forecast outturn, provision for spending on national roads will increase by 9 per cent by 1990-91. Provisional plans for 1988-89 include completion of 26 major schemes adding 97 new route miles to the network. Schemes, on average, produce time savings and safety benefits worth nearly double their costs.

Provision for local authorities' roads capital expenditure should enable 70 to 80 major scheme completions a year, many of which produce benefits worth more than three times their costs.

British Rail has been given a target to reduce its Exchequer Public Service Obligation grant requirement to not more than £555m (at 1986-87 prices) in 1989-90, compared with a requirement of £714m in 1986-87, while provision has been made for further substantial increases in investment.

DoE – HOUSING

The aim of Government policy is to give people a better choice of housing by encouraging the spread of home ownership for those who want it and providing a wider variety of housing for rent, and in doing so to focus public spending more effectively. The Government's priorities were set out in the White Paper Housing: the Government's Proposals (Cm 214).

Most expenditure on housing is by the private sector. Nevertheless gross capital public expenditure is estimated at £3.7bn in 1987-88 and is planned to rise to £3.8bn in 1988-89.

The increased gross provision for 1988-89 includes £735m for the Housing Corporation. This will be supplemented by private sector finance (following the pilot programme in 1987-88) to maximise the amount of housing that can be provided from the available public sector resources. Local authorities' investment is planned to rise to £3,048m, allowing them to increase their investment in the renovation of their own housing stock. Within this, Estate Action's budget will be increased to £140m. In addition there is new provision for Housing Action Trusts to tackle some of the worst areas of run-down local authority housing.

This level of gross capital investment can be sustained at a net capital public expenditure cost of only £1.8bn because of the success of the Right to Buy in generating receipts from sales of homes to their tenants.

DoE – OTHER ENVIRONMENTAL SERVICES

This programme covers a wide range of environmental, economic and recreational services. Part of this spending is undertaken by local authorities according to local priorities. The programme also includes spending by nationalised industries (British Waterways Board and Regional Water Authorities), by public corporations (Urban Development Corporations and New Towns) and by other sponsored bodies.

The Government attaches high priority to tackling inner city problems. The plans for inner city expenditure funded by the Department of the Environment include substantially increased resources from £89m in 1986-87 to £223m in 1990-91 for Urban Development Corporations, which regenerate their areas by attracting private sector investment. There are six Urban Development Corporations and proposals for three more.

The plans also provide for increases in expenditure, from £111m in 1986-87 to £132m in 1990-91, by countryside and recreation bodies, including the Development Commission, the Nature Conservancy Council and the Countryside Commission, and the Sports Council.

HOME OFFICE AND LEGAL DEPARTMENTS

The criminal justice system exists to prevent and detect crime, administer the courts effectively, deal adequately and sensibly with the guilty and give proper effect to the sentences imposed on them.

The number of notifiable offences cleared up by the police rose by 16 per cent between 1980 and 1986: total police strength (including civilians) rose by just over 4 per cent between 1980-81 and 1986-87. For 1988-89, there is provision for average police strength to rise to 172,283 compared with an average of 169,906 in 1987-88.

The Government's policy is that resources provided for court services should broadly keep pace with changes in the courts' business, with due allowance being made for improvements in efficiency. In 1986, 2.2m defendants were proceeded against in magistrates' courts and some 97,000 appeared at the Crown Court.

The existing programme of 20 new prisons, of which four are in use, is to be accelerated and expanded and 4,200 additional places will be provided by 1993. It is presently planned that these new places will be provided at six further new prisons and in additional accommodation at existing prisons.

EDUCATION AND SCIENCE

The Government's broad aims for education are to raise standards at all levels of ability and to secure the best possible return from the resources which are invested in the education service. The Government's aim for science is to maintain and enhance the strength and quality of the science base.

Total spending of about £18bn is planned for 1988-89, most of it by local authorities. For schools, extra provision has been made for the cost of introducing the national curriculum and for improvements to school buildings. The programme also includes extra provision for the universities, which will assist them with their restructuring plans, and for science.

Participation in higher education is expected to go on rising from its present peak level. The number of first degrees awarded is now expected to be around 135,000 by 1990, more than 25 per cent up on a decade earlier. In the schools, the level of expenditure per pupil has risen by some 30 per cent in real terms since the beginning of the decade. The Government's education reforms will help to ensure that full value is obtained for this expenditure.

DHSS – HEALTH AND PERSONAL SOCIAL SERVICES

The aim of the National Health Service (NHS) is to help people stay healthy and to give them effective treatment and care when necessary. This requires the best use of resources. Total spending on health and personal social services in England is planned to increase from about £19.6bn in 1987-88 to £22.7bn in 1990-91. This is before taking account of the additional £88.3m which DHSS ministers announced on 16 December 1987 for health authorities in England in 1987-88. This extra money is not included in the figures for health and personal social services shown in the White Paper.

More patients are being treated than ever before. Hospital inpatient cases are up by over 1m since 1978 and day cases by nearly half a million.

The Health Service has continued to give priority to areas of specific need. Additional resources of £50m are being made available in 1988-89 for tackling AIDS. The initiative launched a year ago to reduce waiting lists and times, which will lead to the treatment of 100,000 additional patients in 1987-88, has been extended for a further two years.

Cost improvement programmes will continue to yield additional resources for health authorities: a further contribution in England of over £150m is planned for 1987-88, bringing cumulative recurrent savings this year to over £500m. Pilot schemes for the better management of clinical resources are under way. In addition, health authorities are being encouraged to increase the resources available to them by further land sales and by the sale of non-NHS services and facilities to the public and outside organisations.

The White Paper Promoting Better Health, Cm 249, published in November 1987, set out the Government's proposals for further improving standards and achieving better value for money in family practitioner and other primary health care services.

DHSS – SOCIAL SECURITY

The aim of the social security programme is, within the Government's wider social and economic policies, to provide an efficient and responsive system of financial help for retirement pensioners and those in need. Provision has been increased to take account of the latest estimates of expenditure on benefits. Expenditure is expected to be £48½bn in 1988-89, rising to £53½bn in 1990-91, reflecting an increasing number of pensioners, long-term sick and disabled and single parent families receiving benefits.

About half of the budget (nearly £24bn in 1988-89) will be spent on the elderly. Payments to families and to the sick and disabled will each account for about one sixth of total spending, and to the unemployed rather less than one sixth. A new system of income-related benefits will be introduced in April 1988: these represent a more coherent system of benefits that is simpler to understand and better targeted. Public expenditure on these benefits is expected to be £13bn in 1988-89, £½bn more than would have been spent under the existing system. Over 14½m claims to benefit were handled in 1986-87 and 950m payments were made to individuals.

PUBLIC EXPENDITURE BY SPENDING AUTHORITY

Central Government is directly responsible for spending over 70 per cent of the planning total, with local authorities' expenditure making up most of the remainder. The third element is the external finance of the nationalised industries and other public corporations.

CENTRAL GOVERNMENT

About 70 per cent of central government spending is voted by Parliament through the annual Supply Estimates. The rest consists mainly of those social security payments which are paid out of the National Insurance Fund.

The largest components of central government spending are on social security, health and defence which together account for over 70 per cent of the total. In other major programmes, such as those of the Departments of Education and Transport and the Home Office, a large proportion of expenditure is carried out by the local authorities and a relatively smaller proportion is spent directly by central Government. Major increases in central government spending, compared with the plans in last year's White Paper, have been made for social security, health, industrial assistance, defence, education and the prison programme.

LOCAL AUTHORITY CURRENT SPENDING

Almost half of local authority current spending goes on education, with most of the rest being spent on law, order and protective services, housing and other environmental services, personal social services, transport and housing benefit administration.

The greater part of local authorities' expenditure is current spending relevant for Aggregate Exchequer Grant. This includes spending on a wide range of services over which local authorities have significant discretion. Other current spending over which local authorities have less discretion is mainly on rent rebates and allowances (part of housing benefit) and mandatory student awards. Aggregate Exchequer Grant does not count directly as public expenditure because it is a transfer between central and local Government. It has been set at £17.4bn in 1988-89, an increase of £1bn over 1987-88.

The plans provide for relevant spending in 1988-89 to be 3.6 per cent higher than 1987-88 budgets, with further increases of 3.3 per cent in 1989-90 and 3 per cent in 1990-91. The Government believes that these plans can be met if local authorities contain their costs and improve efficiency.

The Government continues to encourage local authorities to improve efficiency and value for money. This year legislation has been introduced to expose a wider range of local authority services to competition, with this end in view.

LOCAL AUTHORITY CAPITAL SPENDING

Local authority gross capital spending is expected to be £7.1bn in 1987-88 (net expenditure is expected to be £3.7bn) and plans for the future years provide for gross spending of £7.0bn in 1988-89 and £6.9bn in 1989-90 and 1990-91. Net of receipts, the public expenditure provision in each of the years 1988-89 to 1990-91 is £3.9bn.

PUBLIC CORPORATION

The planning total includes nationalised industries' finance from sources other than revenue generated from their trading activity. This includes their borrowing and leasing from all sources and grants from the Government. The industries' external finance is controlled on an annual basis by external financing limits (EFLs).

The total of nationalised industries' EFLs for 1988-89 is £687m, £340m higher than the plans in last year's White Paper. The increase reflects a number of changes but the main additions are to the EFLs for the electricity industries in England and Wales and Scotland, reflecting plans for substantially increased investment in new capacity. Total nationalised industries' investment is expected to rise from about £4½bn in 1987-88 to around £6bn in 1990-91.

Despite the substantial level of investment planned, total provision for nationalised industries' external finance is expected to decline in 1989-90 and 1990-91, with net repayments of debt overall by the end of the decade. This trend is in line with the Government's objective of minimising the burden which the industries place on the taxpayer and strengthening them as businesses earning adequate rates of return. External finance for nationalised industries has already been significantly reduced, from nearly £3bn in 1979-80 to an estimated £455m in 1987-88. The Government will continue to require improvements in the industries' profitability and further progress in reducing costs and increasing productivity by setting demanding financial targets and performance aims.

The Government has made changes in spending priorities, some already implemented and some planned over the next three years. For example, the priority given to the health service has been reflected in an increase from £7.8bn (11.9 per cent) in 1978-79 to £18.9bn (13.1 per cent) in 1986-87 and is planned to increase further to £24bn (over 14 per cent) in 1990-91.

The share allocated to law and order is also planned to increase further. Planned spending in 1990-91 is almost £9bn (5.3 per cent) compared to just under £7bn (4.8 per cent) in 1986-87. Social security accounts for nearly a third of all spending and also shows some continuing growth.

Education's share has fallen since 1978-79 reflecting a fall in school rolls. It is planned to increase slightly by the end of the decade.

The share allocated to defence rose sharply after 1978-79; it is planned to fall slightly in the next three years as the benefits of past increases continue to be felt and the programme of efficiency improvements continues to grow.

Other areas whose share of expenditure has already fallen and is planned to fall further are industry, trade and energy, where the support for both public and private sector industry is being reduced as profitability improves, and housing where the private sector already accounts for most provision and the Government's policy is to expand the opportunity for private sector investment further.

When public expenditure in 1988-89 is broken down by economic category, it shows that the largest element is payments to the personal sector (£57bn), mainly pensions and other social security payments. Departmental running costs (see paragraph 90 below) amount to about £14bn. Other public sector pay (mainly in local authorities, the Armed Forces and the National Health Service) accounts for £45bn, and purchases of assets, goods and services from the private sector £37bn.

CAPITAL SPENDING

Capital spending is incurred under several economic categories. Total public sector capital spending is expected to rise from £23bn in 1987-88 to nearly £25bn in 1990-91. Compared with the plans in last year's White Paper, extra capital spending of £1.5bn in 1988-89 and £1.7bn in 1989-90 is expected. The increases expected are £0.3bn and £0.4bn for central government, £0.6bn and £0.4bn for local authorities, and £0.7bn and £0.9bn for public corporations.

These figures exclude most repair and maintenance spending and do not therefore measure the total flow of work from the public sector to the construction and capital goods industries.

SCIENCE AND TECHNOLOGY

For the first time, this White Paper also includes a summary of the Government's spending on science and technology to which over £5bn in each of the three future years has been allocated. Since the publication of the last White Paper, provision for 1988-89 and 1989-90 has been increased by some £200m in each year.

PAY

As last year, no general assumption has been made about the rate of increase in pay and allowances in 1988-89 or thereafter. The Government wishes to see the development of greater flexibility, for example in the linking of pay to performance and in relating pay in different areas more closely to local labour market conditions. But if pay increases overall are unrealistically high there will be less money available for improving services and increasing investment and employment.

DEPARTMENTAL RUNNING COSTS

Running costs cover central government administration: the provision for 1988-89 is £14bn, 5.7 per cent above the estimated outturn for 1987-88.

Manpower targets are not being set beyond April 1, 1988. They are replaced by the strategy for forward management planning of efficiency gains.

PUBLIC SECTOR MANPOWER

Between 1978-79 and 1986-87 the total number of public sector employees was reduced by over 14 per cent, at an average annual rate of 1.8 per cent. This reflects the policy of the Government since 1979 to ensure, wherever suitable powers exist, that functions remain in the public sector only where they are best and most economically so performed; and that within the public services, manpower should be used with maximum efficiency. Civil Service manpower has declined by 19 per cent; privatisation has greatly reduced the number of employees in public corporations; Armed Forces manpower increased in the early 1980s, but has now been falling since 1985; local government manpower fell between 1978-79 and 1982-83, remained broadly constant between 1982-83 and 1985-86 (apart from people sponsored for the Community Programme) but has been increasing since 1986-87; in 1986-87 National Health Service numbers had risen 6 per cent above the levels in 1978-79.

The Government's Expenditure Plans 1988-89 to 1990-91. HMSO. Volume I (Cm 288-I), £9.80. Volume II (Cm 288-II), £22.

PUBLIC SPENDING WHITE PAPER – ANALYSIS

ASSESSMENT

Ladle out a little, save the rest

THE TRADITIONAL role of the Chief Secretary of the Treasury at this time of year is to look both ways at once.

The trick is to stress official determination to hold down public spending, paving the way for tax cuts in the Budget; but then to claim the credit for extra cash allocations for "vital" services like health and education.

Presenting his first White Paper yesterday amid the political furore over health service cutbacks and growing evidence that the Treasury is awash with money for tax cuts, Mr John Major played the role confidently enough.

The message, he insisted, was as follows: "We have not let up our control of public spending and we will not; but within that constraint we have increased the level of spending on priority services".

The Government's objective was to ensure that spending continued to fall as a proportion of national income (leaving scope for tax cuts). The cash spending totals in the White paper were the route by which that would be achieved.

For good measure, Mr Major added that no-one should expect Mr Nigel Lawson, the Chancellor, to trim his tax-cutting ambitions on March 15 in favour of extra resources for health or any other public service. "We have just completed a public spending round and I do not intend to re-open it", was the line agreed in advance with Mr Lawson.

With a better grasp than most of his predecessors of the 540 pages of detail in the White Paper, Mr Major then switched to the other side of his message.

The cost savings which had resulted from efficiency drives had freed extra resources for health, education, law and order and the inner cities.

The strength of the economy had allowed him to add £2½bn to previously-announced targets for spending in 1988/89 and £5½bn for the following year without compromising the quest for smaller government.

But if Mr Major's presentation was confident, the evidence from the White Paper was not quite as convincing.

The broad spending targets, unchanged from the time of the Autumn Statement last November, imply real, or inflation-adjusted increases in spending, of 1.5 per cent, 2 per cent and 1.6 per cent respectively over the three years starting 1988/89.

The totals for departmental outlays are expected to rise more rapidly – by 1.9 per cent, 3 per cent and 2.2 per cent if the traditional contingency reserves are included – because of a presumed fall in interest payments on the national debt.

If the totals are met and the economy continues to expand by between 2½ and 3 per cent a year, spending will fall from 42½ per cent of national income in the current 1987/88 financial year to 41¼ per cent by 1990/91.

The overall totals, however, disguise the extent of the squeeze on spending in several key areas, and the degree to which priorities are still set by circumstances rather than by political or economic priorities.

The squeeze is most apparent at defence. Spending is projected to fall by 2.5 per cent in 1988/89, rise by only 0.5 per cent the following year and remain static the year after. With the cost of Trident building up, that adds up to a lot of frigates, tanks and aircraft never being built.

On the surface, the National Health Service does comparatively well. The real level of spending is forecast to increase by 2.5 per cent, 1.5 per cent and 1.5 per cent respectively in each of the next three years.

For the latter two years the NHS will also have a strong claim on the total of £17bn in the Treasury's contingency reserve, while cost-savings might add another ½ percentage point to the growth rate.

Those figures, however, mask a number of factors operating in the other direction. Hospitals, in the front line of the present row, will get less than the NHS as a whole.

More importantly, the "real" increases make no allowance for three factors which translate them into an effective freeze if not a reduction in the volume of services delivered to patients.

Prices in the NHS are rising faster than in the economy as a whole; demands on the service are increasing as a result of the ageing of the population; and pay for doctors and nurses has been rising much faster than inflation. (An illuminating table in past years showing how much of increased spending is absorbed by pay has mysteriously been dropped from this year's White Paper).

One of the ironies of the present row is that it is thought that had Mr John Moore, the Health Secretary, pressed last Autumn for more money from the Treasury to compensate for these factors he would have got it.

The more generous pay awards conceded by the Government to smooth its education reforms will also put a severe dent in that department's budget, although falling school rolls work in the opposite direction.

Overall the education budget gets only an extra 0.2 per cent in real terms in each of the next two years and faces a cut of the same amount in 1990/91.

The evidence of necessity rather than choice dictating spending priorities comes in the three key areas of social security payments, local authority spending and the European Community.

All three have had their allocations raised relative to past plans, reflecting the lack of direct Treasury control. Years of rate-capping have not prevented local authorities from exceeding the Treasury's targets and the additional £1.5bn added to their spending total for 1988/89 is unlikely to solve the problem.

Social security, a third of all public spending, is essentially demand-led and has defied the Treasury's attempts to forecast it. In the current year, for example, the impact of the unexpectedly steep fall in unemployment has been more than offset by an increase in the number of people receiving state pensions and a rise in the take-up of other benefits.

Finally, the European Community budget crisis has forced the Treasury to provide for an extra £700m in payments to Brussels over the next two years, a figure that is privately said to be over-optimistic.

By contrast the Treasury has found it much easier to keep a grip on capital spending. After falling consistently since 1979 it faces another cut of 2.5 per cent in real terms over the next three years - not a statistic emphasised at yesterday's presentation.

Philip Stephens

EDUCATION

Reforms will push up costs

EXPECTATIONS of growing administrative costs, mainly connected with the Government's proposed reforms in schools, are disclosed by the plans for education and science.

In England alone, local education authorities' spending on administration and inspection is scheduled to increase from £642m in the current year to £770m in 1990-91. In addition, the budget of the central Department of Education and Science is due to rise from £58m to £70m.

The combined effect in cash terms – which of course make no allowance for inflation – is a 20 per cent increase over three years to £840m. As a result, such administrative costs will rise from about 4 to nearly 5 per cent of total recurrent expenditure on state education in England.

Further money earmarked for changes arising from the Education Reform Bill includes specific grants for such things as the development of new assessment tests and procedures, rising from £18m in 1988-89 to £33m in 1990-91, again predominantly for spending in England.

No details are available of the amounts specially provided for the effects of the bill in Wales, and for separate changes in Scotland and Northern Ireland, because their educational outlays are buried in the budgets of their separate departments.

But the White Paper says the sums earmarked in the plans are the only extra provision for the changes. Otherwise, "the Government expects the planned educational reforms to be implemented... through a redeployment of resources...."

The total public bill for education and science for the UK as a whole is set to increase by 11.3 per cent between 1987-88 and 1990-91 from £20.9bn to £23.3bn.

Of the total, the sum within the purview of the Education and Science Department is scheduled to rise by 11.7 per cent over the same period from £17.2bn to £19.2bn:

About 84 per cent of it is directly spent by England's local education authorities. The rest covers grants to Welsh as well as English students on degree courses; university spending in Scotland, Wales and England; and the budgets of science and other research councils throughout the UK.

Higher education is scheduled for a 12.7 per cent increase in recurrent expenditure from £3.2bn to £3.6bn between the current year and 1990-91.

Michael Dixon

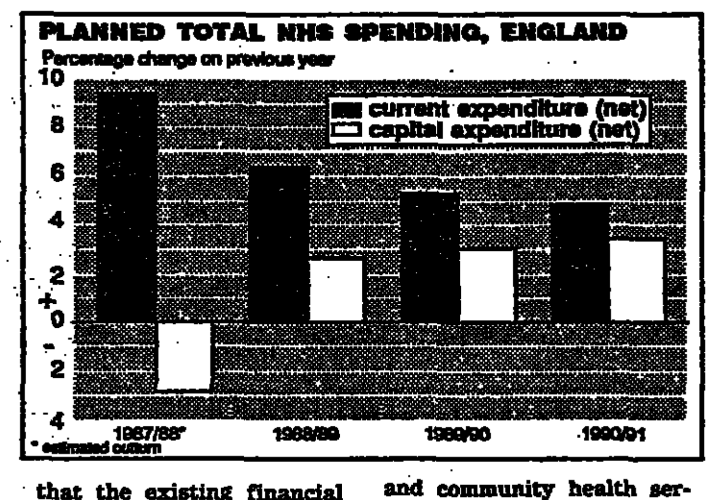
HEALTH

No new money, but a search for savings

OPTIMISTS who imagined that the White Paper would unlock new resources for Britain's hospitals were prepared for disappointment by Mr John Moore, Social Services Secretary, in Tuesday's health debate in the House of Commons.

The publication of the White Paper yesterday gave swift confirmation of Mr Moore's approach – no immediate extra funds, but the Government will go on encouraging health authorities to become more efficient and co-operate fully with the private sector.

The White Paper acknowledges some of the particular pressures which will be affecting health services in the coming years: an increasing elderly population, AIDS-related problems, and rising drug and alcohol misuse. But ministers continue to believe that the existing financial provision for health will be sufficient provided all parts of the service are committed to improving efficiency.



Expenditure on hospital and community health services – which consume the bulk of NHS funds – is planned to rise next year by £704m in England. The Government says this is an increase equivalent to 6.3 per cent in cash and 1.7 per cent in real terms, compared with the figure for 1987-88.

Health authority leaders – who believe at least £200m more is required – say the Government's estimates do not take sufficient account of the fact that health service costs are rising much more rapidly than inflation in general, or of the need to finance part of nationally-agreed pay awards from local funds.

In addition to the proposed £704m increase, the Government expects health authorities to boost their income by a further £150m, through cost-saving efficiency schemes.

Until now, such savings have been confined to support services like cleaning. Now the Government wants health authorities to extend the search for value for money to clinical areas. Cost savings have yielded around £400m during the past three years, including £103m gained by putting support services out to competitive tendering. Income from the sale of surplus hospital land – £8m in 1978-79 – is expected to reach £200m in the current financial year, a sum which represents nearly 20 per cent of the capital programme.

The White Paper declares that the Government "remains committed to the principle that the NHS should be financed largely from taxation." In 1987-88, 83 per cent of the cost of the NHS in Great Britain will come from general taxation, 13 per cent from NHS contributions and 4 per cent from charges. The White Paper says gross expenditure on the NHS has risen by 32 per cent in real terms between 1978-79 and 1987-88.

New planning guidelines on how health authorities should meet the central aims and objectives of the NHS are currently being considered by ministers. In addition, the Government will this year be studying methods of monitoring patient satisfaction with the service.

The Government's failure to use the White Paper as an opportunity to increase health spending was immediately denounced by Opposition MPs, while health service representatives repeated warnings of a continuing crisis over funding - particularly if there is a shortfall in Government financing of pay awards again this year. Attention will now focus on the Budget in March to see whether there has been a change of strategy, tactics or heart by then.

Alan Pike

TRADE AND INDUSTRY

Putting a figure on initiative

TURNING the Department of Trade and Industry into a "department for enterprise" will increase its spending for the first time in years.

After a sharp cut this year to a shade over £1bn, the departmental budget is being raised to £1.25bn for each of the next two years, falling to £1.19bn in 1990-91.

Much of the increase is to fund schemes announced in last week's DTI White Paper. Manpower will rise slightly to 12,750 at the end of the three-year budget period. Accommodation charges, following rent reviews, will also be higher. Against this, the nationalised industries are set to maintain their financial improvement.

Of the new spending, the main item will be the much expanded consultancy services programme: £74m is budgeted for next year, £91m in 1989-90 and £109m in 1990-91. This will enable companies employing fewer than 500 to have half (two-thirds in the assisted areas) their consultancy costs paid by the DTI.

Two new innovation and investment grants – available to companies employing fewer than 25 in development areas – will have funding of £14m, £42m and £55m for the three years.

The DTI's inner city programmes, previously run by the Department of Employment, have been allocated £21.3m, £25.8m and £31.4m, implying a gradual expansion of projects involving the Task Forces and City Action Teams. English Industrial Estates will be able to increase its spending, on building factories and managing workshops, to £19.2m compared with £13m this year.

The amount earmarked for regional development grants is set to fall, but not until 1989-90. Applications for this type of grant, which was introduced in 1984, close on March 31 1988. Spending on regional selective assistance, which is discretionary, is expected to increase, but no figure is given.

The support for innovation reflects a shift in emphasis away from single companies and products about to be brought to the market to collaborative research schemes.

Spending on collaborative research and development, including European research programmes, will rise only slightly, however, from £96m next year to £114m in 1990-91.

Hazel Duffy

TRANSPORT

Fewer riding on the buses

THE NUMBER of passenger journeys on local bus services fell by 6 per cent last year, after three years of relative stability. The figures will provide ammunition for critics of deregulation, introduced in October 1986, which was intended to increase bus usage.

The total number of bus passengers fell from 4,800m in 1985/86 to 4,510m in 1986/87. There was a fall of 12.5 per cent to 1,810m in the big cities and of 2.5 per cent to 1,540m in the shires.

There was an increase of 0.8 per cent to 1,160m in London, where deregulation is not expected to be implemented until the early 1990s.

The overall fall in passenger numbers is explained largely by increased fares, which rose by 3.7 per cent in rural areas and 25 per cent in the big cities. The fall in passenger numbers is expected to be reversed "as the benefits of deregulation come through, and passengers become used to the changed pattern of services".

Use of British Rail's metropolitan services has increased by 14 per cent since deregulation.

The number of bus operators has increased by only 6 per cent since deregulation, casting doubt on the success of its second major aim, which was to introduce effective competition.

Kevin Brown

SCIENCE

Seeking yardsticks for performance

RESEARCH councils and university scientists and technologists are to be urged to develop yardsticks to check that research funds are put to good use.

An example is the index measuring the number of articles by research workers in scientific publications, which shows that UK scientists stand high in the international league.

Ministers want to see further measures of how far research projects are being exploited for economic and social benefit, including the extent of collaboration with industry.

● Total spending on research, development and technology transfer has risen from £3.8bn in 1982-83 to £5bn this financial year. It will increase to £5.2bn in 1988-89 and stay at that level until 1990-91.

The increase reflects expansion of the science budget for the research councils and universities, and funding for the European Airbus project. Another growth item – involving the Department of Trade and Industry – is technology transfer: putting publicly funded technological advances to commercial use.

Michael Dixon
David Fishlock

NATIONALISED INDUSTRIES

Working harder at raising productivity

BRITAIN'S nationalised industries have achieved a significantly higher rate of productivity growth than the rest of the UK economy since 1979.

According to the Public Expenditure White Paper, productivity in the nationalised sector has gone up at an average annual rate of 4.7 per cent in the last nine years, against 2 per cent in the economy as a whole. This growth rate has also easily outpaced productivity increases in the manufacturing industries, up by 3.7 per cent in the same period.

The white paper, which measures productivity growth in terms of output per person, attributes the gains to workforce reductions in publicly-owned companies, along with improved efficiency.

It argues that the policy of establishing performance aims for the nationalised sector, generally expressed as targets for reductions in real unit costs, has played an important part in improved performance. In the Post Office, it says, real unit costs dropped by 11 per cent between 1981 and the current financial year, while British Steel's productivity has more than doubled since 1979.

The figures show that the main productivity gains in nationalised companies have been achieved since 1983, reaching a peak of 9.6 per cent in 1985-86. The white paper says further "substantial" productivity growth is expected.

Terry Dodsworth

CIVIL SERVICE

More flexibility in the approach to pay

MINISTERS have eased the pressure on Civil Service pay by agreeing a rise of 5.7 per cent in departmental running costs.

The Government no longer sets an explicit pay assumption, but about two thirds of the running costs budget (£14bn for 1988-89) is accounted for by salary and wage costs.

The increase in running costs for 1987-88 was 4.5 per cent. According to some estimates, that provided in excess of 6 per cent for pay after allowing for manpower reductions and a slower rate of increase in some accommodation costs.

Although the basic 1987 Civil Service pay settlement was only 4.25 per cent, complex flexibility deals for certain staff groups added to the bill and clouded the overall cost.

The same is set to happen in 1988-89. The White Paper says: "The Government wishes to see the development of greater flexibility, for example in the linking of pay to performance and in relating pay in different areas more closely to local labour market conditions."

These themes are to the fore in the pay deal being voted on this week by tax officers and in the plans for "local pay additions" of up to £600 for staff in offices with recruitment problems.

A 5.7 per cent increase in running costs seems certain to give departments much more scope for raising the pay of key groups. It is also likely to permit a rise of at least 6 per cent in the overall pay bill.

The White Paper says the Government intends not to issue specific manpower targets for the Civil Service after April 1988, but that departments will be expected to achieve annual efficiency gains equivalent to at least 1.5 per cent of running costs expenditure.

Civil Service numbers are shown to have fallen by 19 per cent (136,500) between 1978-79 and 1986-87. The target for April is set at 573,800, compared to 579,200 a year before, with projections of 570,000 for 1988-89, 567,000 for 1989-90 and 567,200 for 1990-91.

What are termed "significant increases" in staffing have been agreed for the Department of Health and Social Security (for increased workload in social security offices), where a previously-planned reduction to 93,300 by 1989 has been revised upwards to 98,600.

Similarly, increases are shown for Customs and Excise (for prevention of drug trafficking and value-added tax fraud), for Inland Revenue (for increased workload) and for the Land Registry (to tackle a backlog of conveyancing).

David Brindle

DEFENCE

Nuclear funds rise

THE WHITE Paper shows that expenditure on Britain's nuclear strategic force is rising as a proportion of the defence budget, from 1.5 per cent in 1979-80, to 3.6 per cent in 1986-87 and to 4.7 per cent in the current year 1987-88.

The defence budget overall remains intact for 1990-91, with a total planned expenditure of £20.56bn. This is £610m more in cash terms than the total expenditure planned for 1989-90, but represents no change in real terms, as the Ministry of Defence brings the four year period of cuts in the defence budget in real terms to an end. Over the four years from 1986-87 to 1989-90 it will have been cut by 2½ per cent.

The planned total of £19.95bn for 1989-90 is £10m less than the total announced by the Chancellor in November. The Ministry yesterday said the discrepancy was due to small interdepartmental transfers compounded by rounding. The estimated out-turn spending total for 1987-88 is £18.85bn, with planned spending of £19.208bn forecast for 1988-89.

Lynton McLain

URBAN DEVELOPMENT

New life for cities

SPENDING on inner cities by the Environment Department is set for a sharp increase next year as the expanded urban development corporation programme gets under way.

Total expenditure on the corporations is planned at £203m in 1988-89 (1987-88 was £133m). This includes £50m for the four new corporations set up last year and £15m for the three new ones, plus expansion in the Black Country. Spending in the following two years is scheduled to stabilise at the new level.

Receipts from the sale of new town assets will cover much of the UDC spending next year, although this will begin to fall off by the end of the period.

Urban Programme spending funded by the Environment Department will be little changed from the current year (£227m), implying a slight reduction on the estimates in last year's White Paper. An increasing proportion will be spent on the new urban regeneration grant, paid direct to developers, but there is no indication of future spending on this grant contained in the more detailed provisions of the current White Paper.

Hazel Duffy

JOB CREATION

Money to train many more schoolchildren for jobs

SPENDING on training is planned to rise by 16.5 per cent in 1988-89 to £1.79bn, as part of the Department of Employment's efforts to put greater emphasis on skills training to promote job creation.

The department's budget is to rise to £4.24bn in the next financial year, from an expected 1987-88 outturn of £3.96bn.

Spending in 1987-88 is expected to be £65m below public spending plans announced last year, largely because the new Job Training Scheme has failed to expand as planned. While the scheme was planned to provide six months' training for about 115,000 people this year, only about 30,000 have taken up places.

New JTS, the Community Programme, which offers temporary work for the unemployed, and several other programmes for the adult unemployed will be replaced later this year by a single £1.5bn programme, which is intended to offer about 600,000 places a year.

This reorganisation of training and special employment measures means that many of the spending plans will become largely irrelevant by the autumn.

Expenditure on all adult training programmes is to rise by 15 per cent to £414m; the YTS's budget is projected to rise by 17 per cent to £1,179bn, and resources for the Technical and Vocational Education Initiative are set to increase by 39 per cent to £91m.

The number of secondary school children taking part in TVEI is projected to rise dramatically from 117,000 this year to 390,750 in 1988-89.

Resources for the Enterprise Allowance Scheme, which helps the unemployed to start their own businesses, are planned to expand from £199m to £228m in 1988-89, while spending on tourism is set to rise by £5m to £49m.

The White Paper indicates that the Government is not planning for any significant early fall in the number of people unemployed for more than six months. Expenditure on the Restart counselling programme for the unemployed is set to rise from £79m this year, to £84m next year, and £92m in 1990-91. The number of interviews conducted is projected to rise from 2,300 this year, to 2,600 for each of the next three years.

The Health and Safety Executive's budget is planned to rise by £7m to £109m next year, which will allow a 10 per cent increase in the number of inspections by the Factory Inspectorate to 115,000 in 1988-89.

Plans for Acas, the conciliation service, suggest the department may be expecting an increase in industrial disputes in 1988-89: the number of collective conciliation cases handled by the service is set to rise by almost 9 per cent to 1,457. The department has set aside £1.2m for the Trade Union commissioner to be introduced under the Government's Employment Bill

Charles Leadbeater

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French taste for tragedy

Michael Coveney reviews Racine's 'Andromache,' which opened Jonathan Miller's first season at London's Old Vic, and Corneille's 'Le Cid,' directed by Gerard Desarthe at the Maison de la Culture in Bobigny, Paris

Two fascinating excursions have been made this week into the intimidating, cheerless terrain of the great French neo-classical drama. Jonathan Miller opens his Old Vic regime with Racine's *Andromache*, while the Maison de la Culture in the Parisian suburb of Bobigny (where I saw Peter Stein's *Oresteia* eight years ago) has dusted down Corneille's *Le Cid*.

These two early "young man's" plays, separated by 30 years of the 17th century, each made the author's reputation. Each pits heroic characters who writhe in present passion against the expectations and demands of the past.

Le Cid is the play French schoolchildren learn by heart but from which the French theatre has recoiled since Gérard Philipe swept off to batter the Moors and claim his Castilian heiress. *Andromache* is a play of grave beauty and histrionic volatility set in Epirus in the aftermath of the Trojan War. This chain of love and revenge has been memorably described by Miller as the work of "a Cartesian geometer who proposes a sort of Newtonian diagram of the moral universe."

Both plays, as it happens, have been recently produced by Cheek By Jowl, giving *Andromache* its British première. But the scale of rhetoric was all wrong, however conciliatory the naturalised tone. *Andromache* was transported to a Mediterranean port at the end of the Second World War, seemingly the haven of Dickie Mountbatten and the Andrews Sisters.

Everyone who has worked in English on Racine, from Robert Lowell to the present translator, Eric Korn, says you cannot approximate to the rhyming alexandrine scheme. In fact, you can, as Robert David MacDonald proved in his wonderful Phèdre, for Philip Prowse and Glenda Jackson on this very Old Vic stage four years ago.

*

Miller and Korn, a farinaceous partnership, make no meal of Racinian sonorities, settling for the usual blank verse compromise of pentameters and no-nonsense (look how unstuffy we are) anachronisms. The result is fluent but ordinary. Unless Andromache can take off on a passage like "Songe, songe, Céphise, à cette nuit cruelle," she is in danger of becoming a mere tedious widow.

Much of Racine's meaning is in his language. Without it, Janet Suzman as the bereaved hostage in the court of King Pyrrhus (Peter Eyre) is a maternal whinger. But Miss Suzman is too good an actress not to overcome this handicap. She offers a haggard, drained likeness of monumental dignity struck, I fancy, with the dawning truth of Henry James's observation that the role is narrow and monotonous. While she mourns Hector and defends her son, the King plans to marry her and give the boy as a token of revenge to Orestes. Meanwhile, Hermione uses Orestes' passion for her as a lever to destroy the faithless Pyrrhus.

This rancorous gavotte, each protagonist accompanied by a confidant, is staged by Miller with chill and confident ferocity in what seems to be both a ruined palace and the literally fallen House of Atreus. The top level of Richard Hudson's blasted, red and grey walled-up mansion has toppled over and leans menacingly towards the audience. This brilliant setting, still but in suspense, contains the very essence of Racinian tensile stasis.

The floor rears up in acute-angled distress, necessitating cautious limping when an actor enters the chamber, and determined, bottom-jutting strides upstage when he departs. Penelope Wilton as Hermione has mastered the requisite bum-strut, Mr Eyre looks comfortable only when still. There is no visual pretence that this is not a mid 17th century play, and the events become of immediate interest as a result.

One great attraction of the piece is its ardour. Orestes is in transit to cause domestic havoc back home, and you feel the Furies are already at his heel. Certainly you feel this in Kevin McNally's absolutely superb and driven performance. In the Euripides play that bears his name, Orestes ripe through the palace at Mycenae with his sister and Pylades like a crazed terrorist. Mr McNally supplies the recognisable blueprint, head shaved and lip curled in adventurous defiance of his destiny.

Here is no fence-sitting in the emotional tumult. You plot and lie, but you either love or loathe whomever you happen to bump into. Andromache remains constant, but the others veer wildly between extremes. None more so than Hermione, whom Miss Wilton invests with stage-dominating bursts of vehement sarcasm and destructive derision. Spurned by Pyrrhus for political ends, she taunts Orestes with the reminder that her mother, Helen, was fought over for ten years by thousands of nonentities. Will not one trembling admirer strike a blow for her?

*

Murder could be dressed up as a duel in *Corneille*, and the Bobigny production opens with a slashing and swishing of swords in the sports wing of a mid 19th century Prussian castle. Stuffed animals are everywhere – bears, monkeys, a panther. Downstage in the vast Bobigny arena, two stuffed egrets seem to presage the fate of women at this court, especially that of the two contestants for Roderigue's affections, the King's Infanta (Marie Matheron) and Chimène.

It is really not much easier for the French to do Racine or Corneille today than it is for us. A dull *Polyeucte* at the Comédie Française last year proved the point. But this *Le Cid* is something else. It is directed by Gérard Desarthe, one of France's leading stage actors – he was Chereau's Peer Gynt and Strehler's Matamore in Corneille's *L'Illusion* and will be Chereau's Hamlet at Avignon this year – and a renowned teacher at the Conservatory.

Like Miller, Desarthe is uninterested in reasserting declamatory prerogatives. But he is an enthusiast of the verse style and here renders the alexandrines thrilling once more. Miller's *Andromache* plays for two uninterrupted hours. *Le Cid*, of comparable five-act length, takes an extra hour because of the pulsating, rhythmic finality of the longer lines and the greater range of allowable expressive stress.

Psychologically, Desarthe digs deep into Roderigue, later the Cid, and finds a nervous, unassertive boy who only comes alive with a sword in his hand. Samuel Labarthe, in what I am sure will become a famously role-appropriating performance, acts bravely but only under severe parental pressure. Just as in *Andromache*, the young generation is unfairly burdened with its parents' values and misdemeanours.

Desarthe invents a theatrical scheme for the military feats of Roderigue, using an inner stage occupied by the sinister king in black spectacles (Claude Cyriaque) and his court, who demonstrate the hero's manliness for Chimène's benefit. A blue billiard table, at which Chimène's ducal father played before being killed in the duel with Roderigue, lights up for the great tale of Moor-bashing exploits.

Above all, you appreciate Roderigue's dilemma of avenging an insult to his own father when confronted with the comparable dilemma of Chimène. Marianne Basler is a beautifully expressive victim. The conflict of avenging her father's death and marrying the man who killed him is resolved only in madness. There is ambiguity in the conclusion of *Le Cid*, just as there is a modernistic abruptness about the end of *Andromache*.

Chimène says nothing after having Roderigue "assigned" to her. Mme Basler descends into a dejected, catatonic trance no less affecting or immediately comprehensible than Mr McNally's at the Old Vic. Things are in a right mess.

The difficulty of these plays for the contemporary theatre lies in a struggle both to honour their formalities and moral assumptions and to make them live in a properly intelligent modern context. Both Miller and Desarthe have gone a great way towards doing this. Their efforts are valiant, imaginative and deeply worthwhile.

*

In London, we have the prospect of a marvellous year at the Old Vic. The repertoire is more enticing than that offered at the National or RSC. And Miller has assembled an excellent company – have I not mentioned Ben Onwuke's notable Pylades, or John Barron's deftly counselling Phoenix? The casting *instincts here are near impeccable.*

And Paris, where *Le Cid* receives its official première this evening, is about to applaud one of the most significant cultural events of recent years. There's life, and juice, in those old plays yet.

Alastair Muir

Janet Suzman as Andromache in London

Samuel Labarthe as Rodrigue, later Le Cid, in Paris

Opera rides high in Chicago

Andrew Porter

The Lyric Opera of Chicago, directed by Ardis Krainik, reports its most successful season ever: full houses for a repertory of *Trovatore*, *Satyagraha*, *Faust*, *L'italiana* (Baltsa, Ponnelle), *Figaro*, *Lulu*, *Così*, continuing with *Tosca* and *Forza*. I went down for *Figaro* and *Lulu*, and discovered two performances – intelligently conceived, carefully cast, properly rehearsed – that gave delight and dispelled my gloomy, Met-induced doubts whether big-house opera could ever again be something to be taken seriously.

Big-house it is: the Civic Opera holds 3,500. But it is one of the two American houses (San Francisco is the other) that bear comparison with La Scala, Paris, Vienna. The architects also built Chicago's Union Station and the Illinois Memorial Bank; they combined the theatre flair of America's movie-house designers with classical grandeur. Entering the place is an invitation to high pleasure. Sure, the singers look small if one is in a distant row, but one can still hear them clearly. The focus is on the stage. I'll confess that at *Figaro* and *Lulu* I sat in the front row.

Figaro was Sir Peter Hall's wonderful 1973 Glyndebourne production not so much enlarged as brilliantly reconceived (with John Bury's sets enriched) to carry without coarseness in the huge house. Maria Ewing was a bewitching Susanna. Frederica von Stade as captivating a Cherubino as in 1973. Samuel Ramey sang with the utmost beauty and clarity of tone. (Figaro is his signature role: Glyndebourne, Covent Garden, Vienna, La Scala, Aix debuts.)

Ruggero Raimondi was a potent Count. Only Felicity Lott's Countess, in this company, seemed a shade pallid, thin in tone and in personality. Patricia Kern (once a bewitching Cherubino), Ugo Benelli (once a dashing Rossini hero), and Donald Adams (a veteran Savoyard) filled Marcellina, Basilio, and Antonio with rich musical character. Marcellina's and Basilio's *arias* were retained. Andrew Davis, conducting, was at his winning best.

*

Lulu was the Lyubimov 1983 Turin production recreated with an all-American cast. It has deplorable features: the Portrait represented by a living Pierrot mime; a death-mask of Berg watching over the proceedings; a unit set (by David Borovsky) that is of admirable resource but, with its open-stage transformations, diminishes the impact of instrumental movements that Berg intended for the ear alone. All the same, this was an overwhelming evening, musically and dramatically.

Dennis Russell Davies, the conductor, is a master, and for the first time in my experience the confusing Paris scene of Act 3 was clearly laid out. Catherine Malfitano, the Lulu, was excitingly exact, confident, steady and unforced of tone. Other singers of note were Victor Braun (Dr. Schön), Jacque Trussel (Alwa), Richard Cowan (an Acrobat able to sing while standing on his head) and Michael Myers (the Painter). Andrew Foldi's Schigolch (a regular feature of most *Lulu* productions) was as vivid as ever. But Evelyn Lear's Geschwitz is perhaps ready for retirement; her efforts to reach the high notes in the closing pages dimmed thier poignancy.

Let's Make an Opera!

Martin Hoyle

The excellent National Youth Music Theatre is presenting a season at Sadler's Wells. The two-work repertory includes the vital, exciting and moving *Ragged Child* reviewed by Michael Coveney in these pages from Edinburgh two festivals ago. But they chose to open their short *stagione* (until February 6) with Britten, in the presence of both the Minister for the Arts and their royal president, by an appropriate coincidence a recent recruit to professional show-business himself.

The rather tweely precious play, with its discussion of pros and cons (a juvenile warm-up for Strauss's *Capriccio*, as were) which used to precede the home-made opera, was long since jettisoned. At the Wells we were reminded that the panto season was not too far gone when the director Jeremy James Taylor asked for volunteers from the audience to audition for the part of the little sweep as the leading boy was ill. Robin, Adam, Julia and Hugo gamely had a go, the three unsuccessful applicants rewarded with Mars bars while the role went to Robin Lowe, suspiciously confident and accomplished, who had more than an anglomatic connection, I fancy, with the absent Neil Borow.

The conductor David Syrus coached us in the audience-participation songs; a well-prepared house obviously included old hands. Subsequent spectators, and schoolchildren, who come new to the work may prove less of a doddle.

The opera itself remains charming, fresh and touching. I have reservations about the unspecific lighting that brightens Alix Stone's nursery set while leaving the surrounding stage, and the view from the window, pitch black most of the time. Eric Crozier's verses, as opposed to his dialogue, are youthfully simple without being patronising – with some very neat rhyming at times. The runaway chimney sweep looked merely grubby as he emerged from the flue instead of sooty all over (the falling soot looked like sand, anyway). Otherwise great pleasure from Elizabeth Bainbridge's outraged housekeeper, Sandra Dugdale's tender-hearted nurserymaid making the most of her melting phrases and, among the children, Jeremy Rampling as an irrepressible Guy (tactfully changed from the original's Gay).

The accompanying Eros String Quartet, piano duet and percussion were pillars of strength; and such ensemble moments as the lovely "Why do you weep?" went beautifully. Here presented in association with Sadler's Wells Theatre and the Royal Opera House, the NYMT fulfils a vital function. All gratitude to Nationwide Anglia without whose help, according to a reminder pointedly addressed to the ministerial presence, the season would not be possible.

Recent dance in Naples, Reggio Emilia and Rome

As a pendant to the Kirov Ballet's just concluded Paris season and a prelude to the Company's Italian tour in the late spring, the two young Leningrad stars Altynai Asylmuratova and Farukh Ruzimatov are appearing as guests with the ballet of the Teatro San Carlo in Naples in company director Zarko Prebil's skillful adaptation of the Gorsky version of *Don Quixote*.

Their presence ensured a worthy opening to the dance section of the theatre's 250th anniversary season. It also galvanised the resident dancers (much augmented) into giving every ounce of their energy. However no amount of dash and fervour could make up for the lack of technical prowess demanded by a role such as the Queen of the Dryads.

Although Ruzimatov danced with great verve as well as precision (his act 3 pirouettes santees were so prodigiously fast as to be literally stunning), I did not find his first night performance (on January 16) as wholly satisfying as his Ali in *Le Corsaire*. One reasons is, I think, that *Don Quixote*, with its tiresomely repetitive swirling of capes and manipulation of fans and guitars, palls after numerous viewings. Also, like Asylmuratova, Ruzimatov has a nobility of carriage that does not really suit *Don Quixote*.

As for Asylmuratova, she is not a technical phenomenon like Sylvie Guillem of the Paris Opera. But whereas Guillem's Kitri emanates cool efficiency, Asylmuratova has not only charm and good looks but a nice sense of fun. Her extensions are not the modish earlevel sort, but the speed of her turns and fouettes was breathtaking. She and Ruzimatov respond perfectly to each other, giving the impression of a true stage partnership. As well as being a virtuoso dancer, he is a strong, able and reliable partner, so that when she launched herself from a distance into his arms it was not at all a vulgar circus feat, but stylish playfulness.

The local dancer with the biggest role, Patrizia Manieri – as the street dancer, Mercedes injected commendable fire and passion into her performance. The best characterization came from Piero Martelletta (on loan from the hibernating Rome Opera) as an ebullient and nimble Sancho Panza. Angel Surov's spritted conducting of the San Carlo orchestra in *Minkus' meretricious score did* much to ensure the brio of the performance.

*

A week earlier, Aterballetto unveiled its new programme at the Teatro Municipale "Valli" in Reggio Emilia, the company's headquarters. The dramatic lighting devised by Giancarlo Cauteruccio and Pio Troilo, and the striking front – and back – cloths by Piero Dorazio mostly outdid Amedeo Amodio's choreography in interest. *Al limiti della notte* is the title not only of the 90-minute work but of the piece by Salvatore Sciarrino that opens the 15-item ballet.

Works on a vague theme (here night and day, sun and moon and references, according to the hazy programme-note, to Amodio's choreographic education) tend to be shapeless. This novelty is no exception, and the use of music by eight composers hardly helps matters. However, among the longueurs and the poorly conceived moments such as the setting of Cole Porter's "Night and day," guest artist Elisabetta Terabust's over-operatic solo to Maria Callas singing "Casta diva," and, worst of all, the embarrassing whimsy of the so-called white rabbit (Giuseppe Calanni), the work contains some plums, such as the mock-Balanchinian pas de deux for Terabust and Marc Renouard (to a Debussy excerpt). There are also some bright ensembles for young soloists in the Stravinsky and Falla episodes.

If the Bellini and Porter items, and the clowning for the rabbit were excised, the work would gain considerably in coherence. Since Aterballetto tours its programmes extensively, rethinking is not out of the question. On the other hand, Amodio would then have to add another ballet to make up the programme: a good idea in any case, as otherwise the audience receives rather short measure.

Despite the several departures for London and elsewhere, the 20 dancers look in very good shape, neat and eager, with some distinctly promising new recruits. The presence of the Emilia-Romagna Symphony Orchestra conducted by David Garforth contributed greatly to the success of the evening.

*

Although the Rome Opera Ballet contains some good dancers, its rudderless condition, together with weak programming, is dragging it down. A single programme has been given so far this season, inexplicably imported from Cuba. The once-glorious Alicia Alonso appeared herself in a farrago by Alberto Alonso in which she portrayed an ageing actress looking back on her triumphs in roles such as Juliet. Nearing 70, Alonso still gets up on her toes – but one wishes she wouldn't. The temperament remains and still makes its effect, but to take on such a taxing role is rash rather than brave.

Of the many ballets made on the subject of Prometheus, Alberto Mendez' *Poem of fire*, set to Skriabin's score of that name, must easily be the most nonsensical. It deployed a large number of dancers to little effect, yet as Prometheus Luigi Martelletta showed a new authority, which enhanced his stylish dancing. Alonso's version of the *pas de quatre* favours excessive coyness and byplay, *but was danced with* laudable elegance.

*

At the Teatro Olimpico, the dance programmes provided by the Accademia Filarmonia Romana terminated with a visit by the popular Pilobolus group. This time they danced more than usual, instead of progressing from pose to pose. A welcome novelty, except that the Elvis Presley opener, "I'm left, you're right, she's gone," was far too long. The other two pieces, *Land's edge* and *Molly's not dead*, belonged to the more familiar teasing vein and were received with greater enthusiasm by the group's admirers.

It is the artistic director of the Accademia Filarmonia, Bruno Cagli, who has taken on the same post at the Rome Opera and has already spoken up in favour of ballet. I await the outcome.

Freda Pitt

Arts guide

January 15-21

Exhibitions

LONDON

Tate Gallery. Turner in the new Clore Gallery. The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal walls Stirling has decreed for the principal galleries is a far cry from the rich plum Turner is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting, except the few in restoration or on loan, is on the wall.

PARIS

Centre Georges Pompidou. Lucien Freud chose the 83 paintings for his first retrospective outside England. Apart from a portrait of Francis Bacon and a series of portraits of his first wife, the exhibition is dominated by his figurative nude portraits of the past 20 years. Closed Tue. (427 71233). Ends Jan 24.

Galerie Odermatt-Cazeau. Maximilien Luce. Luminous and well-structured, he adds realistic images from a working-class universe to many of the impressionist's themes of the Seine, the Thames and Saint-Tropez. 85 Bis, Rue du Faubourg, Saint Honore *(4266 9258). Ends Jan 30.*

Musée des Arts Decoratifs. More than a thousand wooden toys from as far afield as Greenland, Mexico and Russia carved by 18th century woodcutters or modern designers recreate the enchanted childhood world of villages and dolls, horses and trains. 107 Rue de Rivoli (42603214). Ends Feb 14.

Grand Palais. Treasures of the Celtic Princes. Prestigious archaeological finds from what is, nowadays, France, Germany and Austria, bear witness to a *luxury-loving civilisation which* flourished in the Celtic universe. Bronze armour, cauldrons, the crater from Vix, all imported from Greece or Etruria. (42560924). Ends Feb 15.

WEST GERMANY

Munich, Kunsthalle der Hypo-Kulturstiftung, Rene Magritte 1898-1967. This is the first extensive retrospective of the Belgium surrealist shown in Germany. 140 works from museums and private collections in Europe and the US will seek to refute criticism that he was not concerned about what he was drawing. Theatinerstr. 15. Ends Feb 14.

Stuttgart, Galerie der Stadt. Max Ackermann (1887-1975). The 100th anniversary of his birth commemorated by a comprehensive retrospective with 80 pictures from the main periods of his working life. Schossplatz 2. Ends Feb 21.

ITALY

Rome, Palazzo dei Conservatori Campidoglia. Hidden Treasure: The Imperial Silver Collection From Kaiseraugst. An extraordinarily fine collection of silver tableware dating from 350 AD, hastily buried by two Roman generals, Marcelliano and Romulo, when the Castrum Rauracense (the site of the modern village of Kaiseraugst) on the northern perimeter of the troubled Roman Empire was threatened with barbarian invasion. They clearly intended to collect their possessions once the danger was past. The treasure was discovered in 1962, during excavation work for the foundations of a school. Altogether 254 pieces – weighing 37 kilogrammes of 97 per cent pure silver, reckoned to correspond in value to one year's pay for 140 Roman soldiers. The portraits on the 167 fine coins and ingots have made it possible to date the collection *precisely. There are delicate*ly-curved, long-handled spoons, some silver beakers (glass was already more fashionable), serving dishes – one splendid octagonal, one decorated with a frieze recounting the life history of Achilles, and another rectangular, decorated with a charmingly improbable fish, and an elaborate candlestick with markedly oriental decoration, inlaid with gold. *Ends Feb 14.*

WASHINGTON

National Gallery. A centenary retrospective of Georgia O'Keeffe includes 115 oil paintings and drawings, among them rarely seen examples from her familiar New Mexico landscapes, exotic flowers and still lifes. Ends Feb 21.

CHICAGO

Art Institute. More than 80 drawings of early 19th-century architect Friedrich Weinbrenner show his influence in rebuilding Karlsruhe and Baden Baden as well as doing numerous commissions for German royalty. Ends Feb 28.

TOKYO

Nezu Museum. Japanese swords and fittings. Objects of beauty as well as instruments of death; these swords are elegant in shape, line, texture and design. The exhibition features 60 items from the museum's collection. Afterwards, take a stroll in the densely wooded garden, lovely at all times of the year, and forget you are in the heart of the metropolis. (400 2536). Ends Feb 7.

Alastair Muir

Gemma Craven in "South Pacific," which opens at the Prince of Wales Theatre tonight. Michael Coveney will review it tomorrow.

'A Wholly Healthy Glasgow' at the Court

The Royal Exchange Theatre, Manchester's production of *A Wholly Healthy Glasgow* by Iain Heggie, which went on to the Edinburgh Festival and to win a Mobil award, is to open at the Royal Court on February 1.

The cast of Paul Higgins, Gerard Kelly and Tom Watson is directed by Richard Wilson.

*

Caddis Theatre, which also had a success at Edinburgh with an adaptation of Thomas Love Peacock's *Nightmare Abbey*, is to present another adaptation, this time of a 12th century piece called *The Owl and the Nightingale*, from February 1 - 21 at The Etcetera Theatre Club, Camden High Street, NW1.

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Thursday January 21 1988

Priorities for spending

THE THATCHER Government is becoming a victim of its own success.Awareness of the cumulative extent of stringency in public spending is growing just as economic progress has undermined agreement on its necessity. The response of the Government, especially on the issue of the National Health Service, will have to be considerably more imaginative if it is not to lose control of the debate altogether.

The ability of the Government to avoid serious damage depends on differentiating among the priorities for public spending, while still retaining overall control. It will not be good enough just to boast of the effectiveness of that control, the theme of the first two paragraphs of the White Paper on public spending.

A major problem is to discover what level of service is being provided in any specific area. The Government uses the GDP deflator to estimate "real" provision, a procedure that may not be inappropriate for pensions and other social security benefits, but is quite misleading for government spending on most goods and services.

Principal cost

For example, in health and education the principal cost is wages. Unless wages rise by less than in the economy as a whole or productivity rises at least as fast, the "real" figures estimated by the government will exaggerate the volume of provision by a large margin.

For what the figures are worth, the White Paper indicates that spending of the Department of Health and Social Security on health and personal social services (mostly the NHS) will rise by 4 per cent in "real" terms between 1987-88 and 1990-91. "Real" spending on education and science is projected not to rise at all. Spending on defence is actually expected to fall in "real" terms, while spending on social security is expected to rise by well under 4 per cent. Under any plausible assumptions about costs and productivity, these figures imply declines in the volume of provision, even in the sensitive area of health.

In the case of the pure public goods like defence or public order the Government has to make the judgment about priorities itself. In the case of transfers, too, there is no obvious external criterion.

Health and education are different. Public spending here is on keenly desired areas of individual consumption. They fell under public control because of a consensus that they are more important than many other forms of consumption.

Relevant question

The relevant question in these areas is what people would like to spend themselves. If the Government is not prepared to make that the actual question (by privatising the services), it should ensure that its spending allows consumers to get what they want.

One way of approaching the question of how much to spend is to look at evidence from countries where private provision is more important. In the case of health, for example, the average share of spending in GDP for OECD countries is about 9 per cent as against 6 per cent in the UK. For the Government to reach that level of spending within the NHS would mean an additional £12bn.

The case for using some of the Chancellor's present room for manoeuvre to increase spending in selected areas is strong. But increased resources should not just be thrown at problems, even in the case of the NHS. What is needed is enough money to relieve immediate pressure while undertaking a comprehensive review of the whole structure. The aim should be to ensure adequate finance and improve value for money, through a combination of internal markets, subcontracting and charges.

The era of across-the-board stringency that started in 1976 is coming to an end. If the Government is not prepared to differentiate far more carefully than before in forming its agenda for public spending it is likely to find it has lost control over the political agenda altogether.

Bonn's ties to the West

THE SLIGHTEST rapprochement between West Germany and the Soviet Union understandably causes speculation about a re-orientation of Bonn's foreign policy priorities. Though that has been the case, once again, on the occasion of the visit to Bonn of Mr Eduard Shevardnadze, the Soviet Foreign Minister, there is no reason to suppose that such fears are justified.

Mr Shevardnadze, it is true, has done his best to pursue the traditional Soviet policy of wedge-driving between the Nato allies. Following the INF agreement by the US and the Soviet Union to abolish all ground-based medium-range nuclear missiles, West Germany and the other Nato members do not have the same arms control priorities as before and the Soviet Foreign Minister has exploited their differences to the full.

While the West Germans want the INF treaty to be followed relatively quickly by an agreement on the removal, or at least sharp reduction, of short-range nuclear weapons up to a range of 500 km, most other Nato members insist that radical cuts in strategic nuclear missiles, conventional forces and chemical arms must precede negotiations on short-range nuclear systems.

By overtly supporting the West German view, Moscow is playing on West and East German fears that their territory would become the battleground of any war fought with short-range nuclear weapons and conventional forces. Not least, it is promoting the fundamental Soviet objective of a denuclearised Europe and thus undermining Nato's official nuclear deterrence strategy.

No doubt many in West Germany are tempted by such a prospect, as there always have been. Those who still hanker after a reunified Germany may look upon Europe's denuclearisation as the only means of achieving their dream. However, the outside world is often deceived about the fundamental state of West German opinion because of the diversity of the views that emanate from the country. That is as true for the Bonn coalition as it is for public opinion in general.

Mr Helmut Kohl, the Chancellor, and Mr Hans-Dietrich Genscher, the Foreign Minister, frequently contradict each other and Mr Genscher is constantly at odds with the large group of conservatives in the centre-right coalition. Mr Genscher's somewhat naive enthusiasm about Mr Mikhail Gorbachev's new-style Soviet regime and his support of early negotiations on battlefield nuclear weapons is certainly not shared by many of his Christian Democrat colleagues, least of all Mr Kohl.

The interview that Mr Kohl has just given to Le Monde should put the minds of some of the doubters of West Germany's foreign policy priorities at rest. Not only does the Chancellor express healthy scepticism about Mr Gorbachev's policies, but he sings the praises of Franco-German military co-operation within a Western security system.

When all Western nations, with the US in the vanguard, are attempting to take advantage of Moscow's greater flexibility to improve their relations with the Soviet Union and the Eastern bloc in general, there is nothing more natural that West Germany should do the same. Its geographical position at the heart of Europe and its special interest in its links with the East German population could hardly allow it to ignore the opportunities offered by a better East-West climate. To suspect that this is merely the first step towards a more radical policy upheaval is to ignore the strength of the economic, security and cultural links which will continue to tie it to Western Europe and the US as long as Eastern Europe remains in the grip of a communist system.

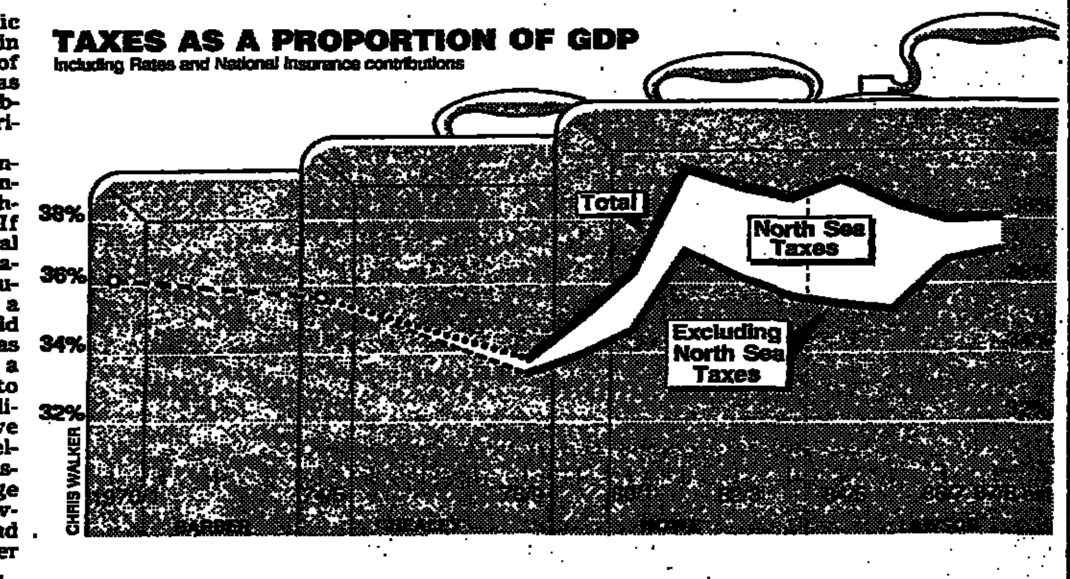
ECONOMIC VIEWPOINT: By Samuel Brittan

Time to end tax guilt

ACCORDING to the Public Expenditure White Paper, in 1987-88 some 42½ per cent of gross domestic product has been devoted to general public expenditure, excluding privatisation proceeds.

Of course, the public expenditure figures are highly sensitive to administrative techniques and definitions. If there were a large structural change, such as the integration of tax and social security, or the introduction of a tax-credit scheme, we should have to think again. But as things are, 42½ per cent is a high enough percentage to cover all reasonable expenditure on genuinely collective goods and transfers to our fellow citizens. It is only a whisker below the percentage taken by the last Labour Government in its last year, and well below the average under the first Wilson Government.

TAXES AS A PROPORTION OF GDP
Including Rates and National Insurance contributions



The White Paper makes a great deal of the Government's determination to hold the growth of public spending below the growth of national income, so that the percentage can crawl down to 41¼ per cent by 1990-91. But there is precious little chance of this happening, given the underlying collectivism of the majority of articulate public opinion and the guilt which many people feel at the prospect of so-called tax cuts – which merely enable them to keep about the same proportion of their money as before.

The present agitation about the National Health Service is a mixture of genuine public concern and a clever interest group campaign by NHS personnel. What is disturbing is not the desire to increase NHS expenditure, but the assumption that the extra resources must come from the taxpayer rather than from a reallocation of public spending priorities.

Moreover, a sudden increase of £2bn, or 12 per cent, which the most vociferous critics are demanding, is the last thing the NHS needs. Human nature being what it is, a panic increase of this size would in large part be dissipated in higher pay or activities only remotely related to patient care. Worst of all would be the revelation that the modern state is such a pushover. The wise course would surely be to concede some moderate increase in NHS expenditure, say £500m, to deal with closures and other emergencies, pending a more radical review of the service.

One reason why public opinion succumbs so easily to the spending lobbies is that we have a tax structure that could have been intentionally designed to raise the tax burden without people noticing.

Since Sir Geoffrey Howe's tough Budget of 1981, nearly every succeeding one has apparently cut taxes. Yet non-North Sea taxes and National Insurance contributions are just as high as a proportion of GDP – 37 per cent – as they were in 1981-82. (The difference between this percentage and the higher public expenditure percentage is accounted for by North Sea taxes and non-tax revenue such as privatisation and interest receipts).

The tax take stays high because of a phenomenon known as real fiscal drag, or bracket creep. These unlovely names refer to the fact that although the tax system is indexed against inflation, it is not indexed against increases in real incomes.

Thus, if there are no policy changes, tax thresholds and the starting points for higher rates come in at successively lower proportions of a citizen's income. Peter Spencer, of First Boston, has estimated that fiscal drag alone has brought the Chancellor £1.9bn in 1987-88 and may bring him £1.5bn in 1988-89, even assuming a marked slowdown in growth.

The cumulative effects of fiscal drag are even more dramatic. In the 1983, 1984 and 1985 Budgets, personal tax allowances were increased by more than inflation. In 1986 and 1987 the basic rate of income tax was cut by a total of 3 percentage points. But the effect of all these concessions was to stabilise the average effective tax rate at 27 per cent of incomes, when it would otherwise have risen to more than 30 per cent. As a rule of thumb, each one per cent rise in real income will increase the average personal tax rate by between 1½ and 1¾ per cent.

But the effects of revenue buoyancy are not confined to personal tax. Gavyn Davies, of Goldman Sachs, has estimated that Corporation Tax on non-oil industrial and commercial companies should have risen as a proportion of taxable corporate income from 17 per cent in 1984-85 to nearly 23 per cent in 1987-88.

This rise in the tax take has been due to the phased change in the tax regime following the 1984 Budget. In addition, profits have risen about twice as fast as GDP. These factors are not strictly fiscal drag, but they have had a similar effect. Ultimately, corporation tax is paid by individuals, whether shareholders, customers or workers.

At the very least, the Budget should remit enough to offset the effects of fiscal drag, broadly defined, in increasing the proportion of the national income going to the tax collector. But it should go further. The opportunity should be taken, in a good year of buoyant revenues, to reduce the percentage slightly, if only to offset the bad years when the tax take inevitably increases.

A public spending proportion of two fifths of the national product surely leaves ample room both for services which are better provided collectively than through the market and for redistribution. Improvement should centre on reallocating the existing state proportion rather than increasing it.

To this one must add Britain's first law of public finance: if you want to stabilise the public spending ratio, you have to try to cut it. Some margin has to be preserved against erosion by the spending lobbies.

Once governments start searching for ways to justify cutting – or not increasing – tax, they have given up the ghost. For they have then conceded that all incomes belong to the state, and they are thrown back on the defensive and on to highly uncertain arguments about incentives.

Collectivists do not have a monopoly of morality. It is indeed immoral that people who cannot afford private treatment should have to wait months and years for urgent medical operations. But it is not immoral that they should be allowed to spend for themselves a little over half of their own incomes.

There may be a great deal wrong with the distribution of property rights and, therefore, the allocation of national income. The remedy for a non-collectivist radical is to redistribute these rights, which may involve changing the system of inheritance, rather than assigning income to the state.

President Reagan was wrong to think that he could put a lid on public expenditure by reducing taxes. But there is a more convincing case to be put the other way round. If the tax system has the automatic effect of drawing in a larger proportion of the national income, the increase in tax revenues will eventually be spent.

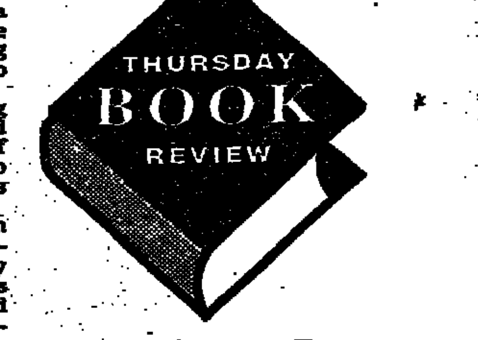
If this inertia is to be offset, and the public expenditure proportion prevented from creeping up over the longer term, it is important that taxes should be indexed to average incomes and not just to inflation.

The Rooker-Wise-Lawson amendments to the 1977 Finance Bill provided for an automatic rise in tax allowances with inflation, unless the Budget contained a clear provision to the contrary. The extension of the principle of "no taxation without representation" now requires a link with some index of income per head.

If this degree of automaticity is too much for the revenue departments to swallow, a possible compromise is to follow the convention used in relation to inflation for the specific duties in drink, tobacco and oil. There is no legal indexation, but all Treasury projections are on an indexed basis and any departure is announced by the Chancellor as a policy change. It is important to find a formula by which increases in the effective tax burden cease to appear as neutral, and truly neutral adjustments do not appear as tax cuts.

Incidentally, the last thing we need is a change from direct to indirect taxation, such as VAT. Any tax that is buried as one of many factors affecting the cost of living will hide the true public spending burden.

A move to more comprehensive indexation would not generate the same excitement as headlines about the basic rate and would be opposed behind the scenes by every kind of fuddy-duddy. But it would have a much greater chance of being remembered in the longer term.



Making It Happen

By John Harvey-Jones
Collins: £12.95

CUT THE BODY of Sir John Harvey-Jones in half and you will find that, like a stick of Blackpool rock, he has the letters ICI running through him from head to toe.

So says his long-suffering wife. Sir John, who retired from the chairmanship of the British chemicals group last year, thinks she is probably right.

Yet he bridled once when a UK radio presenter introduced him as "a company man". As devoted as he was to ICI, he was determined never to surrender his individuality. And ICI, he says, never demanded that he should.

"It takes a pretty tolerant company to put up with my taste in ties," Sir John notes. The ties, broad and colourful, have now passed into legend, along with his shaggy mane of hair, and his support for the Social Democratic Party.

So has the success of ICI during the years that he led it. In 1982, the year he became chairman, pre-tax profits dropped by 23 per cent to £259m. Two years later, the group became the first non-oil company in Britain to report profits of more than £1bn.

Harvey-Jones's book is not an account of his ICI years. It is subtitled Reflections on Leadership and contains his thoughts on turning organisations around, dealing with foreign subsidiaries and being a chairman.

Unlike many of the products of the frenetic management publishing industry, Making It Happen does not tell its readers how to become excellent, innovative or Japanese.

On the first page, Harvey-Jones says he will not be offering any magic prescriptions for success. There are no instant solutions, he says. Often there are no solutions of any sort. All one can hope for is the steady accumulation of useful insights into how to get the best out of those who work for you.

He is illuminating about life at the top. One of the things he learned is that many employees judge the state of the business by how happy the man at the top looks. A chairman who looks less than cheerful can send a frisson of anxiety through his organisation.

Harvey-Jones once stepped off an overnight flight from America and went straight in to speak to senior managers who were attending a course. He felt very virtuous about having done so, until he heard that the managers were worried he was losing his grip.

Many of his tips are resolutely practical. For example, he recommends that corporate leaders drop in on subordinates' offices rather than holding meetings in their own. There are three advantages to this, he says.

Firstly, it helps to demonstrate that you are approachable and not remote. Secondly, you can learn a lot about the organisation by seeing the state of other people's desks and the number of telephone calls they get. Thirdly, you can bring the meeting to a close by saying thank you and leaving. It is often difficult to find tactful ways of signalling to visitors to your own office that it is time for them to go.

He is interesting, too, on the difficulties of managing his fellow-Britons. A successful organisation is one in which people find it easy to communicate with one another, he says. Open communication requires that people reveal something of their real feelings. "Yet of all people the British seem to take the greatest pride in the suppression of emotion," he writes.

Harvey-Jones fostered open communication by encouraging his employees to whinge. They could complain to him directly. His only condition was that when they criticised something, they also had to suggest the alternative.

He has strong views on the need to stretch employees' horizons. Many managers expect too little of their people, he says. That is why so many workers have extensive outside interests. Graduate entrants should not spend their first year on powder-puff assignments, he says. Far better for them to be frightened by the responsibilities they are given than bored by them.

There is much of value in Making It Happen. One fears, however, that many more people will buy this book than will manage to read it.

Sir John does not appear to have followed the American practice of hiring a professional writer to help him. This has the advantage of allowing his own personality to emerge more clearly. But the style, particularly of the early chapters, does not make for easy reading.

Many of his sentences are far too long. Some are barely comprehensible. A decent editor would surely have done something about this sentence on the problem of managing change in different countries: "The differences relate more to the stage at which people begin to worry and at which the climate is conducive to change, rather than to the actual problem of managing the process itself."

The writing does improve as the book goes on. Each chapter is pretty much self-contained. It might be better to read them in reverse order.

Michael Skapinker

OBSERVER

Not wanted on voyage

■John Prescott's decision not to stand for the deputy leadership of the Labour Party after all - or at least not yet - is a reminder of how difficult it is for any political party to devise a satisfactory system of choosing a leader and then periodically submitting him or her to a test of party approval.

One can see why Neil Kinnock and Roy Hattersley, the present deputy leader, did not want a contest. It would have rocked the boat while Labour is conducting its policy review and other candidates, like Michael Meacher, might well have entered the race, thus making the result uncertain.

On the other hand, an election for the deputy leadership is hardly incompatible with a debate about policy. As Barbara Castle, who worked closely with Prescott in the European Parliament, has said, he is a man of great passion and the Labour Party without passion is not what it ought to be.

Prescott has agreed to hold off because of the pledge that there will be a debate on the role of the deputy leadership at the party conference in the autumn. Such debates have seldom solved anything properly, and it would not be surprising to find Prescott making his challenge next year when the general election will be closer.

Still, good boats should stand up to rocking and it is a pretty feeble argument that Hattersley has been so successful he should not be opposed. It makes Labour sound like a real conservative party. Prescott, by the way, wrote a book called Not Wanted on Voyage.

Absent Kohl

■The announcement that President Mitterrand is to see Margaret Thatcher again in London next week has further raised a few eyebrows. Nothing wrong with Mitterrand, to be sure: it is a regular visit with a team of ministers. But Chancellor Kohl is supposed to do the same thing.

Kohl has been in touch with Thatcher in the last day or so saying that his own meeting with Mitterrand later this week is in no way aimed at the British, although Thatcher dislikes the way France and West Germany are strengthening their bilateral defence relationship. Yet a Kohl-Thatcher meeting remains elusive. There may be a tete-a-tete before the European Council next month. There may be a bigger meeting, accompanied by ministers, in the early summer. But nothing is fixed. Something rather serious seems to have gone wrong.

McKinsey's Gluck

■Frederick W Gluck, the managing director-elect of McKinsey & Co, has an article in the winter issue of the McKinsey Quarterly which says a good deal about the way he may be going.

Entitled "The real takeover defence", it argues that the only credible long-term defence against a company being taken over is to manage well. Too many companies, he says, allow a "pool of untapped value" to form which outsiders can expoit. The raiders' stock-in-trade is uncovering that hidden value and pinpointing opportunities to realise it through improvements in operations and better use of financing. Quite often the raiders can see those opportunities better than the existing management and can do so even when relying only on published information.

That is, of course, an obvious plug for companies to bring in McKinsey before a bid takes place. Gluck makes no secret, however, of the raiders he admires. They are Sir James Goldsmith and Hanson. He is full of praise for the Hanson purchase of the SCM Corporation in 1986 which he says was a model of its kind: a rapid sale of operations that would perform better under other owners and a quick move to boost the performance of the operations that are kept. Competent raiders, he claims, produce results time and again.

Gluck's background is in electrical engineering. He once worked on the American missile programme, joined McKinsey in 1967 and played a considerable role in the company's resurgence in the 1970s. Now 52, he takes over as managing director for a three year term in July, having been elected according to the McKinsey tradition by a ballot of its 101 directors.

"I'd say you're either a member of the Liberal-SDP policy committee or you told Mr Prescott not to stand."

Poor Americans

■The idea of American clients weeping into their wallets at the fall in the dollar has proved too much to bear for the Savoy Group which has decided to hold its room rates until next September instead of raising them by four per cent.

The group managing director Giles Shepard, appeared genuinely touched when he said: "It makes sense to try and be kind to them. This way we can be seen to be helping."

The news caused hardly a flutter among other London hotels. The Dorchester plans a price rise in April and the Ritz has recently raised its prices.

It did, however, lead the Inn On The Park to pass on the observation that fewer businessmen may be bringing their wives with them, but whether or not that is down to the dollar is debatable.

Ritz managing director Terry Holmes said that although he noticed a drop in American business in December, January bookings were showing an improvement.

Holmes could be forgiven for shedding a tear or two himself. He has just returned after working two years in the United States and changed "enough money to upset me" into sterling at $1.96 to the pound. "That was terrible. I couldn't afford to come back," he said.

Romanenko's law

■The Soviet scientific community has discovered a new law governing space flight: The length that a cosmonaut can spend in space is directly proportional to the time it takes his wife to redocorate their flat. Called Romanenko's law after Yuri Romanenko, the world space endurance record-holder, the calculation is based on his reply to reports that he had suffered from homesickness during the 326-day flight.

He said that during weekly chats with his wife he warned her that he would ask permission to stay aloft longer unless she finished the decorating work.

"Intolerable"
Chancellor Helmut Kohl
"A band of gangsters"
Mr Otto Lambsdorff, economics spokesman for the Free Democratic Party
"A catastrophic mess"
Mr Lothar Spaeth, conservative Prime Minister of Baden Wuerttemberg

David Marsh reports on West Germany's nuclear scandal

An industry threatened by its own fallout

POLITICIANS not only from the left, but also from the pro-nuclear centre-right ruling coalition in Bonn have been unrestrained in criticising the murky dealings at Nukem and Transnuklear, the two nuclear companies at the centre of West Germany's atomic waste scandal.

In a country where pro- and anti-atomic campaigners are on permanent battle stations, the *revelations* have *attracted* an avalanche of protests and accusations. But amid the emotions, the facts have tended to get buried. The effect of the affair on the country's trouble-plagued nuclear programme is just one question still in the balance.

The Germans have a reputation for seriousness and discipline. In an area as sensitive as atomic energy, the nuclear industry – especially after the Chernobyl reactor accident – has been anxious to stress its quality and reliability. Now that reputation has been dashed.

The affair touches on two *central issues. First,* employees from Transnuklear and its parent company Nukem are alleged by state prosecutors to have organised and covered up over a period of years a widespread bribery ring running through the atomic energy industry.

Transnuklear, the largest West German transporter of nuclear waste, is suspected by state prosecutors of having *made illicit payments of as* much as DM21m (£7m) to win contracts for disposing of radioactive waste from nuclear power stations and other plants.

This waste is mostly relatively low-radioactive matter such as contaminated tools, instruments, components clothing and other debris regularly discarded by nuclear plants.

The illicit payments alleged by state prosecutors were apparently made in connection with consignments of more than 2,400 drums of nuclear waste, falsely designated and in breach of safety regulations, sent by Transnuklear to the Belgian nuclear treatment plant at Mol near Antwerp.

Unknown to the authorities, some of this material was illegally contaminated with higher-level waste resulting from the burning of nuclear fuel. A total of 321 drums have turned up at West German nuclear storage sites containing small traces of plutonium and cobalt-60.

Second, according to Hesse government officials Transnuklear and Nukem, both based on the sprawling nuclear industry complex at Hanau near Frankfurt, have been alleged by so far unidentified *informants within the industry* to have been involved in potentially a much more serious matter – smuggling nuclear bomb-making material to Pakistan and Libya in contravention of the Non-Proliferation Treaty.

On the basis of these allegations, the diversion would have taken place in connection with the Mol consignments, possibly also involving waste shipments to a nuclear storage site in Sweden. The suspicion centres on the apparent loss of two drums of waste which left Mol in 1984 but whose whereabouts are now uncertain.

It seems impossible that either Pakistan or Libya could have had access to plutonium or enriched uranium in separated form suitable for use in weapons manufacture. The maximum suspicion, according to nuclear experts, is that a foreign country with a declared interest in developing nuclear weapons could have acquired waste containing *very small plutonium* traces which would then need to be separated via chemical reprocessing.

Yesterday, the government declared that the allegations of smuggling to Libya and Pakistan were groundless, saying the investigations by the International Atomic Energy and the Brussels Euratom body had failed to produce any proof.

The Opposition Social Democratic Party (SPD), which is *calling for a long-term Ausstieg* (exit) *from* nuclear power, on Monday backed down from earlier claims that it had proof of diversions abroad of bomb-making material.

Government authorities and criminal investigators here and in Belgium and Sweden are examining the allegations. The West German Bundestag (federal assembly) will set up a special parliamentary inquiry.

Nukem and Transnuklear have denied any involvement in illicit shipments of fissile material.

Both have had their core nuclear operations closed on orders of the Bonn government. They have also announced managerial shake-ups, resulting this week in Nukem coming under the *management control of* Degussa, the Frankfurt-based chemicals and precious metals concern which owns a 35 per cent stake in the company.

Beyond the immediate work of the inquiries and the continuing political upheaval lies the long-term question of the effect on a nuclear industry which provides about one third of the country's electricity. The saga is certain to lead *to new state controls* on a sector which is already highly regulated.

It has strengthened, for the moment at least, the anti-nuclear movement, above all the Greens party which for years has been calling for a shutdown of plants at Hanau. However, the industry has built up momentum which even opponents fear may be unstoppable.

Nukem, employing 900 people, makes nuclear fuel elements for advanced high temperature power plants and research reactors.

Its main business, however, is in areas unaffected by withdrawal of the nuclear operating licence – in industrial process technology, in both nuclear and non-nuclear areas.

One of its main contracts is helping to plan West Germany's first commercial nuclear reprocessing (plutonium separation) complex at Wackersdorf in eastern Bavaria, planned to start operations at end-1996.

The latest controversy has added considerably to political difficulties of winning acceptance for Wackersdorf.

At both ends of the nuclear spectrum, there is agreement *that the Transnuklear saga* throws up important long-term questions.

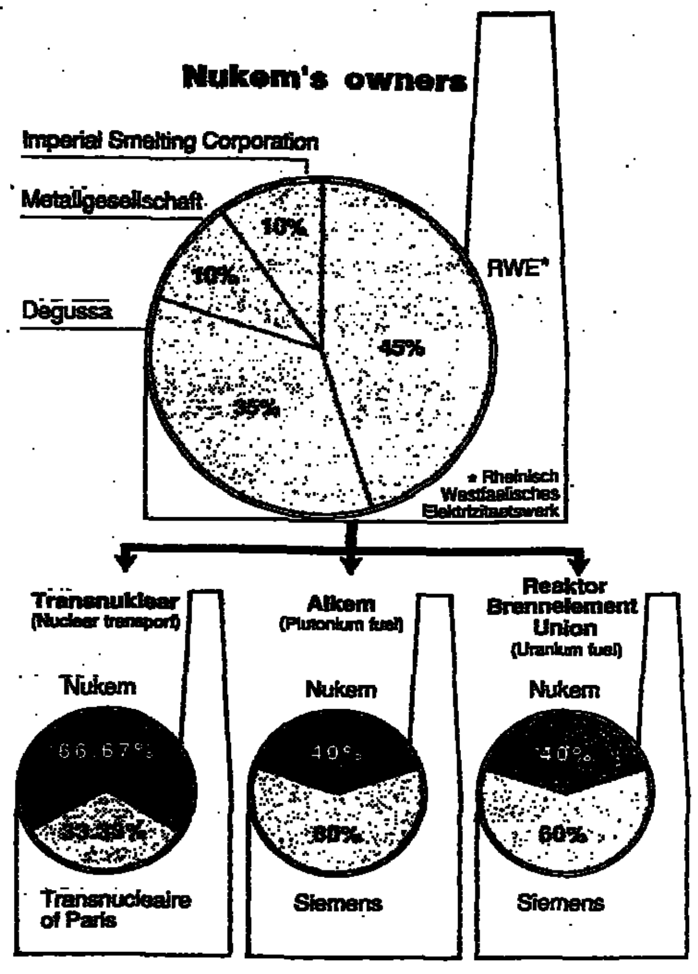
Prof Wolfgang Stoll is the long-time, now retired, managing director of Alkem, a nuclear fuel manufacturer which is a sister company in Hanau to Transnuklear and handles about 1 tonne of plutonium a year. He dismisses the uproar over Transnuklear as "hysterical".

"Nuclear energy is the energy of the future – the only solution for the next 200 years," he says defiantly. But he adds that he is "very disappointed" that anti-nuclear sentiment now comes from the right as well as the left.

A view from the other side comes from Mr Robert Jungk, the veteran Left-wing author and campaigner who is the one of the fathers of the German anti-nuclear movement. He says the Transnuklear affair has confirmed his belief that non-proliferation controls are "an illusion".

But on whether the scandal will really help the anti-nuclear movement, he admits a certain pessimism, reflecting the politicians' lack of solid plans for an *Ausstieg* and West Germany's entrenchment into the international nuclear network.

"The nuclear establishment thinks the indignation will blow over. It's difficult to keep up a mass movement at full boil." He says he hopes the affair will force the SPD to become more serious in its avowed ant-nuclear line, but adds: "I am sceptical all the same."



Grimm smile of a nuclear town

HANAU may have been the birthplace of the brothers ***Grimm, but the tale of bribery*** **and corruption in parts of the West German nuclear industry, whose headquarters is in the unappealing city of 87,000 inhabitants east of Frankfurt, has already gone beyond even the most macabre elements of their fertile imaginations.**

The unfashionable town, pulverised during the Second World War, ***was*** **once a centre for Germany's goldsmiths. Now it hosts the nuclear fuel trio Reaktor-Brennelement Union (RBU), Alkem and Nukem.**

RBU produces the uranium pellets which, when put into fuel rods and inserted into a nuclear reactor's core, are the power that makes many nuclear reactors work. In its warehouse, the dockets on shipments of finished fuel rods testify to the successes of the German nuclear industry, with consignments destined for reactors around the world.

The atmosphere is low-key because the pellets, at present, are not highly radioactive.

Across the road at Alkem, where plutonium is processed, the atmosphere is more tense. Protective clothing must be worn. Anyone entering the productive facility has to pass through an airlock. The whole process is ***under protective*** **glass and workers only handle the plutonium with special gloves built into portholes cut into the the production line.**

Some locals may feel ill at ease after past criticism of the plant's safety record and the latest scandal. Many would probably feel happier if the same attention were turned on Schloss ***Philippsruhe, a delightful*** **baroque chateau not far from the town centre. But until Germany's latest nuclear affair is settled, they are likely to be disappointed.**

Haig Simonian

Lombard

The regulation of electricity

By Max Wilkinson

WHEN I asked a senior civil servant the other day how the newly privatised electricity industry would be regulated, he said: "How would you like to do the job?"

As an offer of employment, it seemed rather casual. So I made a few enquiries, which confirmed that the Government is not taking this important office seriously enough.

The Government's idea is that a number of competing power companies will sell electricity via the national transmission grid to the 12 electricity boards, which would sell to the consumer as at present. These boards may be re-organised under a single holding company or into four regional groupings.

Ministers are still deciding how to assemble the jig-saw into saleable chunks, but almost everyone agrees that distribution companies and grid tariffs must be supervised by a first-rate regulator. He will need to ensure fair play for new companies which want to enter the power market, and prevent the distribution companies making monopoly profits.

However the presumption in Whitehall seems to be that the power companies could compete so vigorously that wholesale prices would require little or no intervention. This fails to take account of the relationship between the economics of electricity production and the constraints of technology, transmission and security. Because of these links, a regulator who was effective in controlling consumer prices would have a pervasive influence on the market for power and on the kind of power stations private companies wanted to build.

Power companies generally have a choice between building expensive plant with cheap fuel costs or vice versa. In a world of ideal competition, private generators would pick the most economic mix of capital and fuel costs. But if they saw a chance to pass extra fuel costs on to the consumer, as British Gas is allowed to do, they would cut capital spending to the minimum even if this resulted in an inefficient mix of plant and pushed up electricity prices.

Distributors must surely be *allowed to pass on some of* the effects of a rise in world energy prices or other factors beyond their control, but to what extent? When they ask permission to raise prices, the regulator must be satisfied the public is not being asked to pay for extravagant fuel costs, resulting from inadequate or incompetent investment. Yet if he has this power, utilities may reasonably ask to pass on the cost of capital to make the most efficient use of energy.

The regulator can hardly avoid taking a view about the strategic use of capital because, unlike other private companies, utilities will have a duty to supply customers. This will require them to sign contracts which encourage generating companies to build a margin of surplus plant for emergencies. The cost of this surplus will depend not only on the mix of plant thoughout the country but on the capacity and costs of bulk transmission services.

Since use of the grid by traders wanting to maximise profits would reduce the capacity available for those wanting to maximise security and efficiency, the regulator will have to make a detailed appraisal of transmission costs, which in turn affect the siting and type of power plant.

Private companies are therefore unlikely to build large power stations until they can agree long-term contracts with distributors, on terms broadly acceptable to the regulator.

This difficulty must not be sidestepped by a regulatory formula tying the rise in electricity prices to average costs.

More competition is surely desirable. But really effective regulation will limit the market much more than the free marketeers pretend; though I fear that this disclosure has cost me the job...

Letters to the Editor

A hole gapes in policy research

From Mr Alan Benjamin.

Sir, William Wallace (Letters, January 14) has raised an issue which I feel is a fundamental component of the future quality of life in Britain. He draws to our attention the gaping hole which exists in our national long term policy research.

Nowhere in Britain is there a fully funded, sustained, professionally staffed long term policy research institute. We have no coherently equipped institution whose objectives are to address the long term issues and trends – social, technological, economic and political – which will condition our quality of life in the 21st century.

From 1984 to 1987 a National Economic Development working party studied the long term perspectives for information technology to the year 2010. We approached the analysis trying to understand the impact of distinctive social trends upon the technology, and vice versa. In our report, published in April 1987, we clearly identified the need for an institution such as I have described above.

We concluded that so much of our future was for the choosing because, increasingly, we have choice – especially from the flexible technologies which are now available. For this reason we need powerful, comprehensive analyses of future alternatives so that we can make better-informed decisions about education, health care, infrastructure, investment, the environment – to name but a few.

We are surrounded by short termism: the stock exchange, the political horizon, the annual budget, research funding methods. We urgently need a focus for longer term policy analysis, critique and ideas – a horizon towhich people can look toward while recognising the need to manage the constraints and interferences of today's requirements.

The contrast between London and Tokyo which Dr Wallace so sharply depicts is a valuable contribution to the debate. Action is needed.

Alan Benjamin,
9 The Chequers,
West End Lane,
Pinner, Middlesex

To abandon Airbus would be mistaken

From Mr James McFarlane.

Sir, Your recent leader (January 8), which seems to recommend abandoning the Airbus because the dollar is now weak, is quite remarkably short-sighted.

Though you use the Airbus as your prime example, you hint that steel and textiles should go the same way. You suggest that we should concentrate our national efforts on inherently "stronger" sectors, but neglect to say what these are.

Significantly, you suggest that Airbus should look to a Japanese partner willing to take a long-term view. This seems to imply that in Europe we are incapable of doing so.

It is no doubt very difficult to find a mechanism for controlling the extreme variations that now occur in dollar exchange rates, but it seems to me that it must be a lesser problem than shutting down industries sensitive to exchange rates whenever the movement is adverse. Re-opening them when the trend reverses is simply not feasible.

Of course, if you were able to suggest internationally tradeable goods or services which were immune to variations in exchange rates, we would certainly be wise to concentrate on them (as would everyone else), but this you have signally failed to do. I doubt whether they exist.

Certainly the dollar would rapidly strengthen against European currencies if we applied the logic of your advice in any widespread way. But then we would have the difficulty of being unable to afford to buy American products, and would have no means left of making them ourselves.

If financial imprudence in the United States is to result in the closure of the European aerospace and other industries, it would seem to have much to commend it – from the American point of view.

James McFarlane,
Engineering Employers' Federation,
Broadway House,
Tothill Street, SW1

Airbus and the dollar squeeze

From Mr Didier J. Choix.

Sir, Mr Michael Noir, the French Minister of Foreign Trade, recently declared that "the fall in the value of the dollar is a 'catastrophe' for Airbus ..... as it entails that the planes that will be delivered in the coming months will be sold in dollars and their cost billed in dollars and their cost price hasn't fallen by 25 per cent." This statement raises interesting questions about Airbus Industries' currency management and pricing policies.

Either the sale was to generate a profit at the prevailing exchange rates at the time Airbus booked the order, and management could have used foreign exchange hedging techniques, such as selling dollars forward or buying currency options, to "lock in" the projected profit; or pricing was too "tight", not to say predatory, and the company was gambling on a potential rise in the value of the dollar to make up for it.

In either case, management was involved in what is called foreign exchange speculation; behaviour not compatible with sound management of an industrial company. In the last resort, Airbus anticipated *losses are not because of the* fall of the dollar, but rather to short-sighted speculative behaviour.

A higher level of financial disclosure would allow the European tax-paying public to understand better the risks associated with the whole project, and make Airbus Industries' management more responsible to their ultimate financial backers.

Didier J. Choix,
420 East 72nd Street,
New York

City pilots will need good eyesight

From Mr J.C.C. Sworder.

Sir, I hope pilots flying the outbound route from London City to Paris, bisecting the approach routes to Gatwick, have good eyesight.

Living 20 miles east of the Gatwick runway, flights now overpass my house at, officially, no less than 3,000 feet – which generally allows anything from 2,000 feet upwards. This is really expected to mesh at this Gatwick turn-in with the present. Any milling throng?

John Sworder,
Thorpe House,
Fordcombe,
Tunbridge Wells, Kent

A stable market is where shares are bought on individual merit

From Mr Ian C. Forsyth.

Sir, To take Michael Hughes's last point first (Letters, January 9): I, like many other investors, do not feel very comfortable in a prolonged and often irrational bull market. It is a period when people are buying shares simply because others are buying. Money is chasing paper, and it is inevitable that before long the paper will be chasing the money.

I much prefer the idea of a stable market where shares are purchased on their individual merits, not just because the market is going up. "Those who desire a perpetual bull market" are much more likely to include the market makers and some stockbrokers who seem to have geared themselves up as though summer was going to last for ever.

Stock markets are, by their nature, very difficult to control. There are, however, a number of areas within the structure where controls could be introduced. I gave two examples: the first was that a share price should move in accordance with supply and demand for that share. Because so many solid companies had their share prices slashed, even though there may have been very little real selling, buyers have been frightened off. The problem is often exacerbated by excessive spreads on the share prices.

Second, short-selling may be of little consequence in a healthy market, but in a market which is having a nervous breakdown it can have a greatly increased effect. When a market is falling, and everybody is fully aware of the fact, put options can be very expensive.

In these circumstances selling short can be one of the few methods of making a quick profit. It is easy to carry out, inexpensive, and if timed correctly the risk is quite small.

The market can quickly fall into this type of bear-hug, carried along by genuine, panic-stricken sellers, paying no attention to the fundamentals. We all know this situation can only last for so long; the bottom will be reached and prices will recover – but why tolerate trading techniques which can produce or exaggerate price movements which are simply not necessary?

Short-selling is probably more widespread than Mr Hughes thinks. Most of it goes on unnoticed. It has been used on the first day of trading for some privitisations and other new issues, which means that although the ordinary investor has only been able to buy a few hundred shares, the professional trader is – legally – allowed to sell thousands, even though he may not have owned any. I would also like to know how often people like Ivan Boesky have taken advantage of short-selling in order to move a share price in a direction favourable to their interests.

There are other areas which need examination. If steps can be taken to make the stockmarket more receptive to the needs of industry, and less attractive to short-term speculators, the results can only be beneficial to the country as a whole.

Ian Forsyth,
117 Rutland Road,
Chelmsford, Essex

FINANCIAL TIMES
Thursday January 21 1988

Chris Sherwell in Canberra on bicentennial festivities with a mix of race and politics

The Australians with little to celebrate

AS CELEBRATIONS for Australia's 200th anniversary of white settlement move into top gear, the appalling fate of the country's indigenous Aborigines is coming under intense scrutiny.

The issue has become inescapably prominent as aboriginal groups mount protests at important bicentennial functions and insist that, for them, there is nothing to celebrate.

In journalistic accounts abroad, it often appears to be *the only bicentennial story*: here is a rich country of 16m people celebrating 200 years while 225,000 Aborigines, among the poorest people in the world, can trace their origins back 40,000 years.

In sympathy, Mr Gerry Hand, Federal Minister responsible for aboriginal affairs, himself white, is boycotting the celebrations organised by his government.

Another minister has said Australians have to face up to the shame of their past before they can celebrate the glory of the last 200 years.

Even Mr Bob Hawke, the Prime Minister, whose government barely acknowledged the aboriginal issue when re-elected six months ago, has spoken of the "crimes of the past" and foreshadowed a "compact" with the aboriginal people.

Like all collisions between race and politics, however, the aboriginal issue in Australia is far from simple. For a start, Aborigines are a diverse group of communities and peoples, *living in cities and open country* all over Australia.

It is young urbanised aboriginal radicals who have worked to co-ordinate public protests against the bicentennial. The protests include marches, demonstrations and displays of slogans and flags. They are intended to be peaceful but embarrassing.

The radicals' individual spokesmen are mostly self-appointed and acknowledge that they represent themselves as much as their people. They disagree with each other, with Aborigines who have "made it" and with traditional leaders in the outback.

Aborigines: shorter lives and higher unemployment

Indeed, a range of different aboriginal groups have readily accepted government money – not least from the Australian *Bicentennial Authority* – to advance their more immediate interests.

The most notable example is the assistance, worth more than A$2.5m ($1.77m), given to the Alice Springs-based aboriginal enterprise, Imparja, to secure a commercial television licence broadcasting programmes to the Northern Territory and South Australia. The station began transmissions last week.

Another A$50,000 grant went to the colourful Mr Burnum Burnum to write a travellers' guide on aboriginal Australia. He flew to Britain this week and, on Australia Day next Tuesday, plans to read a declaration on the cliffs of Dover facing the Channel that he is taking possession of England on behalf of the aboriginal peoples.

Accusations regarding poor aboriginal living conditions have come thick and fast recently: from expatriate Australians like feminist and author Germaine Greer and journalist John Pilger, organisations like the Anti-Slavery Society or, as last week in Sydney, a United Nations official.

But this is no secret and is well known in Australia. The first page of the annual report of the Federal Government's Department of Aboriginal *Affairs states bluntly that* aboriginals are the most disadvantaged people in Australian society.

It states that life expectancy is 20 years less than for other Australians; infant mortality is nearly three times that for non-aboriginals; and 32 per cent of aboriginal children up to the age of nine have some form of trachoma (eye disease).

Furthermore, aboriginal unemployment is six times the national average; income for those employed is only half that of other citizens; most aboriginals live in sub-standard housing or temporary shelter; and imprisonment rates are 20 times higher.

There are also social problems like glue sniffing and alcoholism, not to mention the outright racial prejudice they regularly experience at the hands of whites.

The unexplained but well-publicised contagion of aboriginal jail suicides – about 100 since 1980 – has led to the establishment of a Royal Commission which is certain to look beyond the individual cases.

Australians appreciate that none of this looks good when billions of dollars are being lavished on bicentennial celebrations and projects. The Government also knows that its embarrassment can be (and is) exploited by countries like South Africa, France and the Soviet Union.

Yet as the Sydney Morning Herald newspaper pointed out this week, if the plight of Aborigines is so horrifying that comparisons can be drawn with blacks in South Africa, it is surprising that Australia has managed to evade international censure until now.

In fact, much has been achieved since 1967, when Aborigines were belatedly given equal citizenship and allowed to vote. One illustration is in the growing numbers of Aborigines in Government, the professions and business. Another is to be found in aboriginal children's schooling.

The most tangible progress is to be seen in the Northern Territory, which is administered by the Federal Government. Land rights legislation has so far given Aborigines title to more than one-third of the land. Aborigines run their own land councils, legal and medical services, schools and radio and television stations.

As most of the territory's mineral production comes from aboriginal-owned land, revenues from royalties are being ploughed into businesses: arts and crafts, tourist ventures, hotels and shops.

The lessons for Australia's six slow-moving and often short-sighted state governments are clear: land rights have provided a psychological, cultural and economic base from which the aboriginal community can recover their lost esteem, sense of identity and self-reliance.

That is why the Federal Government's recent talk of a "compact", and, in particular, its formal recognition last month that Aborigines were dispossessed of their land when the whites arrived, is so important.

Currently the legal position in Australia is that before 1788 the land belonged to no one. If that doctrine is abandoned in favour of a notion of conquest, it will remove continuing obstacles in relation to land rights and compensation.

For now the precise thinking behind the Government's move remains unclear. The "compact" has not been explained in detail, and the recognition of dispossession is only contained in a preamble to legislation yet to be passed, legislation which, incidentally, will set up a new Aboriginal Commission with elected representatives in place of the Department of Aboriginal Affairs.

For their part, the conservative opposition parties have said they dislike the way Aborigines are being singled out as a race apart. They argue that they should be treated like any other citizen.

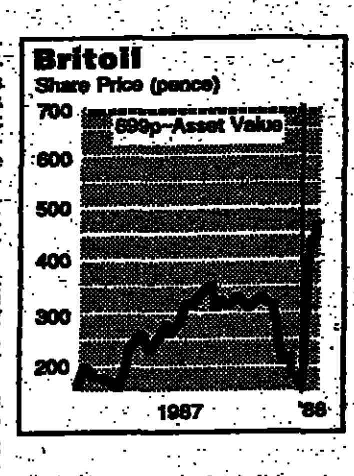
Those on the left would like to see more government money spent on aboriginal health and welfare. Their trouble lies in accepting that Aborigines might choose to spend the money differently.

In fact, most Westernised people are under numerous misapprehensions about the best way forward for the country's aboriginal people. What is indisputable, as the rise of aboriginal activism makes plain, is that progress remains too slow.

THE LEX COLUMN

A self-portrait in oils

Britoil has done itself no kindness in producing an asset valuation 56 per cent above BP's offer and nearly four times higher than its share price last month. Despite all the pseudo-scientific jargon of asset value calculations, almost any number can be dreamt up by altering the discount rate and oil price and exchange rate forecasts.



Britoil has gone for broke in choosing a compound annual rise in the sterling oil price of almost 10 per cent (on which basis the rest of the sector surely looks undervalued) and a lower discount rate than the industry uses to evaluate its projects internally. This will make the opposition's task of knocking down the valuation a cinch, whereas a more conservative value of 550p or so would have forced the bidders to explain why they think the company is worth less.

More sophisticated investors are likely to be more puzzled than impressed. Why, they may wonder, was Britoil prepared to contemplate a deal with Arco when its shares were at 350p, and why did it not baulk at recent analysts' estimates of a 330p asset value if it knew the true figure to be twice as great? Yesterday's 19p rise in the price to 473p – less than was justified by yesterday's revelation of a 200m barrel oil discovery – showed the scale of the market's scepticism.

BP is more than capable of doing its own sums on what *Britoil is worth; but should the* market start to side with Britoil, it could always get its own assets revalued and come up with an apparently blameless all share alternative.

A.H. Robins

Good drugs companies are impossible to buy, and even the bad ones are dear. So when a reasonable company with a respectable product line is laid low by lawsuits, the opportunists are quick to move in. After 2½ years in the bankruptcy courts, A.H. Robins could, if only cheap, it was the only show in town at the price. Ironically, the fiasco over injuries attributed to the company's Dalkon Shield contraceptive – which landed it in Chapter 11 in the first place – proved one of Robins's main attractions. The $2.48bn in Dalkon liabilities fixed by the bankruptcy court can be written off against taxable income.

American Home Products, which has won the bid battle and looks like winning the legal battle for control of Robins, has the income to make more of this more quickly than its rivals, the French go-getter Sanofi and the US drugs company Rorer. After tax write-offs, its offer for Robins represents an exit multiple of around 20 times current earnings, below average for the sector. And with its network for over-the-counter and prescription drug distribution already well developed, American Home can afford to make deeper cuts in the Robins sales force and head office staff.

The deal may make perfect sense for American Home. But it made not bad sense for Sanofi either, and the Elf subsidiary – which desperately needs a US distribution network if its *impressive momentum is not to* falter – will be pushed to find another partner in the same price range.

BP

The news that the Office of Fair Trading is investigating the Kuwaiti stake in BP will have met with a mixed reception at BP headquarters yesterday. For all its public stoicism, there is no question that the company is badly rattled by the near-20 per cent stakeholder sitting on its shoulder. On the other hand, the KIO could, in theory, be required to dump its entire holding, which would be a final low blow to BP's image in the financial markets.

This is, however, a remote possibility. The OFT insists that the enquiry is a routine affair; taken with the fragmented nature of shareholdings in the rest of BP, the size of the stake apparently means that the KIO may now be in a position to have a material effect on BP policy. Even if this is referred to the Monopolies Commission and is then ruled to be against the public interest, the KIO may be required to freeze its stake or limit further purchases, rather than sell. Indeed, until a decision is made on whether to refer there is nothing in theory to stop the KIO buying more – although this would obviously risk prejudicing their position.

Nokia/Ericsson

Ericsson's decision to sell its data systems business to Nokia, which is rapidly earning a reputation as Finland's most acquisitive company, is yet another sign that the trend towards telecommunications companies getting involved in data processing, and vice versa, is proving very hard to implement. Ericsson was one of the first international companies to argue that it had to be involved in everything from telecoms to office equipment if it were to maintain a competitive edge in the information industry. However, the scale of its recent losses has dented its faith in this argument, and its retreat to its core telecommunications business must raise questions about the ability of others to bridge the gap.

For Nokia, the move makes considerable long-term sense. By doubling the size of its information systems business – Nokia Data will be the second largest European manufacturer of data terminals – it can take advantage of the economies of *scale associated with a high* volume business. However, it is its second substantial acquisition in less than a month, and the combination of a hefty rights issue and the expected earnings dilution in the current year could limit the short-term performance of the free preferred shares which, at FM136, have fallen 40 per cent from their peak.

Ex-bankers

At a time when many of the world's biggest banks are reporting record losses it is refreshing to see that at least one bank – Den norske Creditbank – is applying the principle that if you lose enough money even the chief executive sometimes has to go. The scale of its losses is much higher than feared, and reflects the dangers of banks getting involved in stock market speculation. Even so, there are other loss-making banks on either side of the Atlantic which might take the example to heart.

Ericsson in deal with Nokia

By Sara Webb in Stockholm

ERICSSON, the Swedish telecommunications and electronics group, has agreed to sell a significant part of its troubled Information Systems Division to its Nordic rival, Nokia, the diversified Finnish electronics group.

The deal marks the Swedish group's determination to put Ericsson Information Systems (EIS) back on its feet by disposing of areas it considers peripheral to its core communications business. EIS is expected to break even for 1987 and show a *profit in 1988, and will concen*trate on office exchanges in future.

Nokia will acquire from EIS the Data Systems division which makes and markets data terminals, personal computers, minicomputers, and banking *and business systems. It has* a turnover of about SKr4bn ($645m), and accounts for about 40 per cent of EIS sales.

The deal will give Nokia a commanding position in the Nordic market as a producer of computer terminals, work sta*tions and local networks. Nokia* will merge the division with its existing Information Systems subsidiary to form Nokia Data, which will have a turnover of SKr7bn, and 8,000 employees.

Nokia, which has pursued an aggressive strategy in recent *months aimed at strengthening* its television and mobile telephone sectors, announced yesterday that it is making a rights issue to raise FM802m ($196m) in new capital. This would be the largest industrial share issue in Finland.

For Ericsson, the deal marks a turning point in getting out of a sector which many analysts believe it was too hasty in entering.

Nokia Data will have sales units in the Nordic countries, West Germany, France, the UK, Spain, Switzerland and Holland, with a head office in Stockholm. Mr Kalle Isokallio, who will head the new division, said it would be the second largest manufacturer of computer terminals in Europe after Olivetti.

Nato heads to meet in advance of Reagan-Gorbachev summit

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

NATO'S 16 heads of government will meet in Brussels on March 2 and 3 to discuss the alliance's policy ahead of the summit between US President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader, planned for May or June in Moscow.

A statement confirming the meeting issued by Nato headquarters in Brussels gave no details of the agenda, but officials said its purpose was to enable Mr Reagan fully to acquaint himself with the views of Washington's allies before meeting Mr Gorbachev.

Essentially, the Europeans want the alliance to agree on a long-term arms control concept which would fit in with the alliance's strategy of nuclear deterrence and flexible response, involving graduated retaliation to any Warsaw Pact attack.

Although the US has been assiduous in consulting its allies on the progress made in the Geneva arms negotiations, as well as before and after major ministerial and summit meetings with the Soviet Union, this did not prevent disagreements over the Intermediate Nuclear Forces agreement, signed by Mr Reagan and Mr Gorbachev in Washington last December.

The so-called "double zero" solution, under which not only longer-range ground-based INF missiles, but those with a range of between 500km and 1,000km, were abolished by Washington and Moscow, initially ran into considerable opposition in West Germany, Britain and France. It was finally approved unanimously by Nato, but with many tacit reservations.

The Europeans want to be reassured that the INF treaty is not the first step towards the denuclearisation of their continent, which would make them particularly vulnerable to the Warsaw Pact's superiority in conventional forces. Differences between West Germany and most of the other member countries over the treatment to be accorded to short-range nuclear weapons with a range up to 500km also need to be ironed out.

A strong body of opinion *within the Bonn administration* wants to give priority to the negotiation of cuts in these so-called "battlefield" nuclear weapons.

However, the US, Britain and France – the three nuclear powers in Nato – want the order of priorities to be: deep cuts in strategic nuclear weapons, a ban on chemical weapons and cuts in conventional forces. Only when these have been completed should talks on short-range nuclear weapons be held, Bonn's main partners insist.

France tops UK in skills

By Charles Leadbeater in London

FRANCE TRAINS between 2½ and 3 times as many qualified mechanical and electrical craftsmen and technicians as Britain, often to higher standards, according to a report published today.

The report, by the UK National Institute of Social and Economic Research, says the skills gap between the two countries has widened markedly over the last decade.

It warns that Britain's relative under-investment in training *for this key group of skilled* workers will continue to inhibit the introduction of new technology, more efficient working practices and improvements in competitiveness.

"The fact that France has increased the numbers attaining *craft qualifications during the* past decade of industrial recession, instead of the decline observed in Britain, means that France is moving towards a situation comparable to Germany's where the typical industrial worker is vocationally *qualified to craft level.*

"In Britain this is far from being an attainable objective; we seem to be moving towards a workforce with fewer qualified to recognised craft levels, and the remainder at best trained in one or two narrow skills."

The higher output of qualified workers means that the proportion of the French workforce with vocational qualifications is much higher than in Britain.

In 1984, about 76 per cent of *electricians in French industry* had qualifications against only 44 per cent in Britain. The proportion of workers in engineering and metal working with vocational qualifications is 50 per cent higher in France.

Much of the French skill advantage is a recent development, according to the report. The number of young French people gaining craft qualifications rose by 60 per cent between 1975 and 1985, while in Britain the number declined.

Backing for stronger EMS

BY TIM DICKSON IN BRUSSELS

WEST GERMANY'S Foreign Minister, Mr Hans-Dietrich Genscher, yesterday threw his government's weight firmly behind strengthened European monetary co-operation and the idea of a European central bank.

In a speech which was markedly more enthusiastic than recent remarks on the subject by Mr Helmut Kohl, the Federal Republic's Chancellor, Mr Genscher told the full assembly of the European Parliament that the recent dramatic developments on the financial markets "demonstrated the necessity of closer co-operation in the monetary field".

Mr Genscher, who was in Strasbourg in his capacity as president of the Council of Min*isters to outline* the West German Government's plans for the European Community for the next six months, also indicated at a private briefing that new ideas for strengthening the existing rules of the European Monetary System would be drawn up in time for the EC summit due to be held in Hanover in June.

Full British membership of the EMS, a review of the Italian lira's 6 per cent fluctuation band and ending Belgium's two-tier currency arrangements are understood to be among the issues to be considered.

Interest in the more far-reaching idea of a European central bank has most recently been revived by Mr Edouard *Balladur*, the French Finance Minister, but the reaction in West Germany appeared to have been mixed. Besides Mr Kohl's rebuff the plan for a central bank is known to be treated with scepticism by Mr Gerard Stoltenberg, the Finance Minister, although Mr Karl Otto Pöhl, Bundesbank president, is thought to be swinging behind Mr Genscher's approach.

A representative of the West German central bank told a group of MEPs in Strasbourg yesterday that freedom from political influence was a necessary condition of agreement to a European central bank.

Mr Genscher told MEPs that closer monetary union and the central bank concepts were "essential" and "logical" for the creation of an internal market.

However, he suggested that after the strengthening of the EMS last September through the increase in resources for currency intervention, closer monetary co-operation might be limited by political constraints.

The minister was notably less forthcoming about West German ideas for resolving the Community's financial crisis. But he emphasised that member states "must come to a result at *the February summit – other*wise it would be a catastrophe for the Community."

Mr Jacques Delors, EC Commission president, emphasised the importance of next month's Brussels summit

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	14	57	Dubrovnik	C	13	55	Malta	C	16	61	Rhodes	R	13	55
Algiers	R	13	55	Edinburgh	F	5	41	Manchester	C	5	41	Rio de J'o	S	40	104
Amsterdam	R	6	43	Faro	S	14	57	Manila	S	32	90	Rome	F	13	55
Athens	C	11	52	Florence	F	18	64	Melbourne	F	22	72	Salzburg	C	-1	30
Bahrain	F	15	59	Frankfurt	C	2	36	Mexico City	S	24	75	San Francisco	F	16	61
Bangkok	S	32	90	Funchal	C	14	57	Miami	C	23	73	Seoul	C	5	41
Barcelona	F	13	55	Geneva	C	2	36	Milan	R	8	46	Singapore	C	30	86
Beirut	C	16	61	Gibraltar	S	13	55	Montreal	C	-3	27	Stockholm	C	3	37
Belfast	R	3	37	Glasgow	R	5	41	Moscow	C	-7	19	Strasbourg	C	3	37
Belgrade	S	6	43	Guernsey	F	7	45	Munich	C	-1	30	Sydney	S	29	84
Berlin	S	2	36	Helsinki	D	1	34	Nairobi	F	28	82	Taipei	C	23	73
Biarritz	S	12	54	H. Kong	C	18	64	Naples	R	11	52	Tangier	F	14	57
Bombay	S	32	90	Innsbruck	S	7	45	Nassau	S	25	77	Tel Aviv	F	15	59
Bordeaux	F	13	55	Inverness	R	5	41	New Delhi	S	34	93	Tenerife	C	17	63
Brussels	C	7	45	Islamabad	C	21	70	New York	C	9	48	Tokyo	S	12	54
Budapest	C	4	39	Istanbul	F	9	48	Nice	F	14	57	Toronto	C	2	36
B. Aires	C	30	86	Jakarta	R	30	86	Nicosia	F	16	61	Tunis	S	18	64
Cairo	S	19	66	Jersey	R	5	41	Oporto	C	11	52	Valencia	S	15	59
Cape Town	F	25	77	Jo'burg	S	26	79	Oslo	R	3	37	Venice	C	10	50
Caracas	C	27	81	Lima	S	26	79	Paris	C	7	45	Vienna	C	1	34
Casablanca	R	13	55	Lisbon	R	14	57	Peking	S	4	39	Warsaw	S	2	36
Chicago	Sn	3	38	London	C	9	48	Prague	C	0	32	Washington	R	3	37
Cologne	F	4	39	Los Angeles	F	16	61	Reykjavik	F	-4	25	Zurich	C	2	36
Copenhagen	C	1	34	Luxembourg	C	3	37								
Corfu	R	12	54	Madrid	F	9	48								
Dallas	F	1	34	Majorca	S	16	61								
Dublin	R	4	39	Malaga	S	13	55								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Iran controls hostages

Continued from Page 1

said he was in touch with Sheikh Mohammad Hussein Fadlallah, the Shia cleric and mentor of Hizbollah (the Party of God), the Iran-backed grouping which is believed to be responsible for the kidnappings.

Mr Jumblatt also acknowledged that Iran had succeeded in securing some of its demands from the West through hostage-taking in Lebanon. "I think they have been successful and I think Iran is an important strategic issue in the Middle East which nobody can avoid...I don't agree with taking hostages, but at the same time, it is very difficult sometimes to differentiate between a humanitarian approach and a political approach."

There have been strong indications that France and West Germany made political and financial concessions in return for the release of three hostages, Mr Roger Auque, Mr Jean-Louis Normandin and Mr Alfred Schmidt, in the second half of last year. These, however, have been vigorously denied in Paris and Bonn.

Israeli troops beat refugees

Continued from Page 1

In a statement from Sidon, in Southern Lebanon, the PLO took responsibility for the overnight clash, which took place not far from the north of the town of Qiryat Shmona.

An Israeli patrol intercepted the three heavily armed young men, who had managed to cross Israel's self-declared "security zone" in Lebanon and cut their way their way through a wire border fence without being detected.

INTERNATIONAL APPOINTMENTS

Ex-US Navy Secretary joins PaineWebber

FORMER Secretary of the US Navy Dr John F. Lehman Jnr, aged 45, has joined the investment banking division of PaineWebber Inc. as managing director.

PaineWebber Group Inc. is the parent company of PaineWebber Inc., one of America's leading securities firms, which together with PaineWebber International and Mitchell Hutchins Asset Management, serves the investment and capital needs of a worldwide client base.

Mr Donald B. Marron, PaineWebber Group's chairman and chief executive officer, said: "We are delighted that John Lehman has joined our investment banking team. His exceptional management skills and experience in a broad range of industries, including high technology, aerospace and defence, will enhance the firm's professional capabilities and benefit our client base.

"Attracting talented people such as Dr Lehman to our firm is yet another example of our commitment to building PaineWebber's investment banking business. Since 1984, we have increased our professional staff by 30 per cent, with particular emphasis on selected client industry groups, and on high-growth product areas such as mergers, acquisitions and leveraged buyouts."

In 1981, President Reagan selected Dr Lehman as Secretary of the Navy, a position he

Dr John F. Lehman Jnr

held until his resignation last April. Prior to that appointment, he was president of Abington Corporation, a firm providing management consulting services to military contractors. Before this, his distinguished career in defence and foreign affairs spanned 10 years to 1977.

● PaineWebber Inc. president Mr Donald E. Nickelson announced that Mr James F. Curley, 43, has been made executive vice-president and director of the company's futures division, and is also to serve as a director of PaineWebber International.

Mr Curley will be responsible for all aspects of PaineWebber's futures business, including floor operations, sales and marketing, and risk management.

For the past 17 years, he had been with E.F. Hutton, last serving as executive vice-president and head of its futures unit.

● Mr Peter H. Riedener has joined PaineWebber International in Geneva as executive vice-president responsible for international retail sales, and also has been named a director, declared Mr John A. Bult, the firm's president.

In this newly created position, Mr Riedener is to oversee the development and marketing of investment products and services to individual clients outside the US.

He had been with E.F. Hutton since 1975, last serving as executive vice-president in charge of Hutton International, as well as a director of the board. His career in the securities industry began in 1960 with Merrill Lynch. He moved to Oppenheimer in 1972 to become vice-president, marketing.

New Inco director

THE LARGE Canadian nickel producer Inco has elected Mr Michel Belanger a director of the board.

Mr Belanger is chairman of the board and chief executive officer (CEO) of the National Bank of Canada. Previously, he was president and CEO of the Provincial Bank of Canada, and president and CEO of the Montreal Stock Exchange.

Chemical Bank UK managing director

CHEMICAL BANK, the fourth-largest US bank, has named Mr Janharm Musters a managing director in addition to his current title of chief operating officer for the bank in the UK.

Mr Musters, 39, is based in London and responsible for operations, systems, finance and human resources functions in the UK, West Germany and Switzerland. He is also responsible for planning and executing the integration of Chemical Bank International Ltd. (CBIL), Chemical's merchant banking subsidiary, with the London branch.

He joined Chemical in 1983 as chief of administration in the US group. In 1986, he moved to the investment banking division in a similar role, and in 1987 relocated to London to become chief administrator.

The resignation last week of Mr John Howland-Jackson as a UK-based managing director of Chemical, and head of international origination and CBIL, was said not to be connected with Mr Musters' promotion.

As previously announced, Mr Peter Alexander, 45, is replacing Mr Howland-Jackson on an interim basis while Chemical continues to ponder its UK strategy.

Mr M. Guy Heald, in charge of global foreign exchange, remains the other managing director based in the UK.

Accountancy group KPMG appoints Tax Centre chief

THE WORLD'S largest accountancy and management consultancy group, Klynveld Peat Marwick Goerdeler (KPMG), has appointed Mr David Gilburn partner-in-charge of the KPMG International Tax Centre in Amsterdam.

KPMG, created by the merger of Peat Marwick International with Klynveld Main Goerdeler (KMG) at the beginning of 1987, has offices in 115 countries. There are 5,150 partners and 40,500 professional staff.

Mr Gilburn had been a tax partner in the Amsterdam office of Peat Marwick since 1981. The KPMG International Tax Centre's purpose is to serve KPMG tax partners around the world as a central enquiry response and referral base for international tax questions.

* * *

THE CANADIAN oil and gas producer and drilling contractor Bow Valley has announced the appointment of Mr W.H. Tye as president and chief operating officer.

Mr Tye, replacing Mr D.K. Seaman, who remains chairman and chief executive, was formerly executive vice-president.

Grandson of Dow Chemical's founder elected as a director

THE BOARD of Michigan-based Dow Chemical, which follows leader Du Pont as the second-largest US chemicals concern, has elected Mr Michael L. Dow as a director.

Aged 51, he is a son of the late Mr Alden B. Dow, a noted architect, and a grandson of Mr Herbert H. Dow, the founder of Dow Chemical.

In addition to being chairman and chief executive officer of General Aviation, in Lansing, Michigan, Michael Dow is a director of Chemical Financial Corp., and Chemical Bank and Trust Co., both of Midland, Michigan. He has served on the audit and compensation committees of Chemical Bank.

* * *

MONSANTO, the St Louis-based chemicals and pharmaceuticals group, has appointed Mr Lawrence B. Skatoff, currently vice-president and controller, to the new position of vice-president, finance.

He will direct the worldwide activities of the controllership, treasury and tax functions. He will also be responsible for pension asset management, corporate acquisition and divestiture activities, and internal and external financial reporting.

APPOINTMENTS

ADVERTISING

also appears

on pages

10 and 11

Director of Corporate Financial Services

Cable & Wireless plc

London based — *to £70,000 + substantial benefits*

Cable and Wireless plc is recognised and respected as a world leader in the international telecommunications industry and stands at the forefront of this rapidly expanding global market. The Group's major corporate objective of establishing a global digital telecommunications network, connecting the primary economic and financial centres of the world, is making rapid progress. In the UK Mercury Communications, a wholly-owned subsidiary, is forging ahead with its penetration of the UK market.

Against this background of rapid and dynamic growth, a new position has been created, reporting to Main Board level, for a Director of Corporate Financial Services. In this strategic role, you will have the opportunity to take a pro-active role in *managing Group-wide activities in the corporate finance*. treasury and taxation areas.

The need is for a highly talented professional with an impressive record of financial management success, probably gained within the treasury or related function of a large international organisation. Naturally you must have the drive and stature to make a significant impact within this highly-demanding corporate headquarters environment.

An excellent remuneration package, which is flexible to reward the outstanding candidate, includes a substantial salary and the chance to participate in attractive share option arrangements.

Please reply to Alison Hawley, advisor to the Director, Finance, in strict confidence with details of age, career and salary progression, education and qualifications quoting reference 5087/FT on both envelope and letter.

Deloitte Haskins+Sells
Management Consultancy Division
P.O. Box 198, Hillgate House, 26 Old Bailey, London EC4M 7PL

Development Accountant -Investments

c£24K + mortgage subsidy — City of London

- **Working closely with senior management on improving accounting techniques**
- **A challenging role requiring 'vision'**
- **Part of a small team operating to the highest professional standards**

Our client is a major, well established institution providing life assurance, pensions and unit trust management services. They enjoy a good reputation for their successful investment performance and are active in promoting professional standards within the Life industry. In a competitive market important contributions are made to performance by effective cost control and enhanced investment information. Consequently, they now wish to appoint an experienced Accountant to develop improved accounting techniques in their investment accounting area.

The Development Accountant, reporting to the Manager – Accounting Development, will be responsible for a small team initially concentrating its efforts on the implementation of a new investment accounting system and the management of a sophisticated CGT system. A key challenge of the role is that it requires the ability to identify, and gain commitment to, developments which are not currently in existence but can make a significant impact on future corporate financial efficiency.

Applicants will be Chartered or Certified Accountants with a minimum of two years post qualification experience; alternatively we would be interested in a newly qualified accountant with previous experience of accounting development work. A knowledge of investment accounting preferably within the Life and Pensions industry would be a major advantage. Career prospects are excellent with this fast growing organisation.

Write or telephone (24 hrs) for more information and a personal history form quoting reference 2260/FT.

C Kiddy and Partners
Recruitment and Organisation Consultants
43 QUEEN SQUARE, BRISTOL BS1 4QR. TEL. (0272) 215275

Group Accountant

Lex SERVICE

London — £28,000 + Car

Lex Service PLC is an international force in automotive and electronic component distribution. The company has an annual turnover of £1.4 billion and strong growth ambition. The company's overall strategy is underpinned by total commitment to service leadership through progressive management practices.

Internal promotion has created an opportunity within the corporate finance department for a graduate chartered accountant with three years' or more post qualification experience, gained with a 'big 8' firm. For the right person this is an excellent opportunity to move from practice into industry. Based at the corporate head office in the West End, you will be responsible for the direction and co-ordination of the group's consolidated financial and management information. This will require close liaison with the treasury, taxation and corporate planning departments as well as with the various businesses.

A strong personality and a flair for technical detail are needed in this high profile job. You will have the support of a staff of 8 people and excellent computer resources. In addition to strong technical and communication skills, you must have the potential for rapid advancement within the group.

If you believe you have the ambition, commitment and ability to succeed in this challenging environment, please contact David Northmore on 01-831 2000 or write to him at Michael Page Partnership at 39-41 Parker Street, London WC2B 5LH.

Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Business Appraisal Executive

Central London — around £23,000 + car

A major international group (T/O £900m), which has experienced significant earnings growth, seeks a Business Appraisal Executive to join this key Head Office department. Working through the Departmental Head, who is directly responsible to the Board, the business appraisal team adopts an aggressive approach to all matters appertaining to the Group's short and long term plans, as regards acquisitions, capital projects and the review of all operating plans and major tenders. Candidates (male/female) who are either MBA's or Chartered Accountants, with some contract/tendering experience, will find this vacancy both challenging and exciting. Promotion prospects are excellent. Ref: 1475/FT. Write or *telephone for an application form or send full details (with telephone numbers and current* salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Telephone: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

FINANCE DIRECTOR

Lancashire/Yorkshire Border — **c £32,000 + Car + Substantial Bonus**

Our client is a subsidiary of a major international company, and is a well known manufacturer of branded consumer goods with operating companies in Australasia, Europe and the United Kingdom.

An internal reorganisation has created the requirement for a commercially minded Finance Director for the UK operation, which contributes approximately 45 per cent to the Group turnover. This highly visible and crucial appointment reports directly to the UK Managing Director and functionally to the Group Finance Director.

Supported by a team of some 25 individuals, the broad responsibilities of the position include budgets and planning, management accounting, costing and pricing, and financial accounting. The company has an IBM System 38 Computer.

The obvious breadth of this role requires that candidates should be qualified accountants, ideally aged 33 - 38, who can clearly demonstrate previous experience of working within a large company in a fast moving consumer goods environment. Strong technical skills, especially in the area of cost accounting, previous experience of IBM or similar systems together with excellent inter-personal and communication skills are essential.

In addition to the excellent remuneration indicated above, a relocation package will be available if required.

Interested individuals should telephone Peter Flammiger, or write enclosing a resume and current salary details to: FMS, 14 Cork Street, London W1X 1PF (Tel: 01-491 3431).

F M S
Search and Selection Specialists
for
Financial Management

Explore the scope of International Auditing.

BASED CENTRAL LONDON

Internal auditing for Chevron, one of the world's major oil companies, means more than just poring over the books. It provides genuine career development plus the opportunity for extensive travel throughout the UK, Europe, the Middle East and Africa.

In these vital roles, you will appraise systems and controls and present objective recommendations to the senior management of our exploration, production, refining and marketing operations. Leading or working with joint-venture review teams will also be an important part of your responsibilities.

These are excellent career openings for qualified and part-qualified accountants who are ready to step into a high level role in international audit with the potential and the ambition to move into the mainstream financial area.

Our significant North Sea interests and vigorous exploration programmes ensure that these are careers with a future. Excellent salaries will be geared to qualifications and experience. A first-class benefits package includes generous relocation assistance where appropriate.

Make your move into the international oil business and telephone Jane Barker on 01-487 8796 for an application form. Chevron Petroleum UK Limited, 2 Portman Street, London W1H 0AA.

We are an equal opportunities employer.

Chevron

CAREER OPPORTUNITIES FOR QUALIFIED ACCOUNTANTS

W. London and Banbury

polymark

Polymark International PLC, turnover **in excess of £30m**, manufactures and markets/distributes a diverse range of engineered products and services through UK and overseas subsidiaries.

Following a period of restructuring and reorganisation in recent years, the group is now **strongly returning to stable growth and profitability** and seeks to strengthen its financial and management accounting function, at least partly **to meet planned future expansion.**

GROUP FINANCIAL ACCOUNTANT

Based at Group Head Office, West of London, **a qualified accountant**, aged 28-35, with at least 3 years post qualifying industrial experience, to work at the centre on a **wide range of finance matters in an international Group.**
Quote Ref: PP/726

FINANCIAL CONTROLLER

Based at the Group's **major UK subsidiary at Banbury**, a qualified accountant, aged 30-40, with **broad financial and management accounting** experience, perhaps in **a variety of manufacturing and/or distribution environments. Quote Ref: PP/727**

The package includes a **substantial negotiable salary and bonus, car and assistance with relocation** where appropriate. Prospects are excellent within a Group now **poised for profitable growth.**

For further details and an application form please telephone Windsor (0753) 867175 (24 hrs) or write with CV to Peter A Page, Senior Consultant, Human Resources, 3i Consultants Ltd, 8 High Street, Windsor, Berks SL4 1LD quoting the appropriate reference.

3i Consultants Ltd
Human Resources

A WEALTH OF EXPERIENCE

MORE THAN JUST TAX

London W1 — **c£27,000 + car**

A highly successful and acquisitive publicly quoted diversified group has created a new position within its small head office team.

Reporting to the Financial Director you will have specific responsibilities for all taxation affairs of the group and its operating companies. This will include compliance work, group planning and monitoring of new corporation tax and VAT legislation. There will also be involvement in group acquisitions and other investigations.

However, as part of this small team you will also be expected to make a contribution in other areas according to your own preference or abilities – this could include a company secretarial or systems specialization role.

Aged 28-32 you must be able to offer a sound professional training and qualification, specialization and commitment to taxation and interest in and experience of any other head office role. Career opportunities will therefore be available at either group or operating company level.

Please write enclosing a career/salary history and daytime telephone number, to John P. Sleigh FCCA quoting reference J/659/BF.

LLOYD MANAGEMENT

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

Financial Controller

South London **£35,000 salary package & F/E car**

Our client, a substantial fast moving consumer goods company, is seeking to recruit a Financial Controller. Already an established household name the company has ambitious plans to expand further through acquisition and organic growth.

The position reports to the Financial Director and it is intended that within eighteen months of appointment your performance will justify early promotion to that position.

Your responsibilities will include the day to day management of a large finance function, many of whom are qualified accountants. The role will be broadly based however and you will be expected to make a significant contribution to the overall commercial development of the company.

Candidates will be qualified accountants, probably in their early thirties, with strong man management experience and excellent interpersonal skills. This is a challenging position for an outgoing, commercial accountant, who possesses the drive and tenacity to succeed.

Interested applicants should write enclosing their Curriculum Vitae, daytime telephone number and quoting ref: 201 to Philip Rice, MA, ACMA, Whitehead Rice, 295 Regent Street, London W1R 8JH.

Whitehead Rice

MANAGEMENT SELECTION

TAX PARTNER DESIGNATE

Central London

£35,000

This very senior post requires a candidate of the highest calibre, technically & personally. In order to contribute to developing the tax function of this medium sized practice. the successful appointee will provide a consultancy/advice service to partners and clients on highly complicated technical issues. ACA (ATII Advantageous)

In the first instance please contact David Paton on 01-734 4836.

Finance Recruitment Executive Search & Selection

Finance Director

Birmingham

c£25,000 + car

This major subsidiary (t/o c£30m) of an acquisitive UK plc is involved in the wholesale and distribution of photographic and video products.

The role has total responsibility for the finance function and candidates should bring a commercial approach to achieving further growth of the business coupled with a shirt sleeve style.

Candidates should be qualified accountants, age indicator 28-35, with proven commercial experience, high level of commitment and strong personality.

The future prospects within this dynamic organisation are not purely confined to the financial area. The attractive package includes future share options and relocation assistance if applicable.

Please write or telephone enclosing full resumé quoting ref: 206 to:

Nigel Hopkins FCA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

CHIEF ACCOUNTANT

c£20,000 **South Wales**

Dow Corning is the world leader in silicones and silicone chemicals. Our plant at Barry, South Wales is situated within easy reach of the beautiful Gower Peninsula and Brecon Beacons.

We are seeking a Chief Accountant, based in South Wales you will nevertheless work within a global context, your brief being to maintain the integrity of the U.K. financial database. This involves forging close links with our European Area Control Group in order to resolve conflicts and to interpret corporate and area functional policies. Leading a small accounting team, with the support of sophisticated computerised systems, you will bring a 'hands-on' approach to this position, providing creative solutions to business problems. You will be responsible for preparing the Company's financial statements, claiming Regional Development Grants, payment of suppliers and the payroll function, and you will liaise closely with external Auditors, Functional Managers and Controllers (in particular with the Barry Plant Manager and his staff).

We require a U.K.-qualified Accountant (ACA, ICMA, ACCA) or equivalent, with a University degree background. A familiarity with U.S. accounting standards and a high degree of computer literacy will be essential. You will also possess strong interpersonal skills and be comfortable operating in the international arena.

In return we offer a highly competitive salary as well as a superb benefits package comprising B.U.P.A., non-contributory pension and life assurance schemes, and full relocation expenses where appropriate.

The Barry site, offering a clean and modern working environment, is located near the capital city of Cardiff and all its amenities, close to many areas of outstanding natural beauty.

To apply, please write, enclosing detailed C.V. To:-

John Cook,
The Industrial Relations Department (Ref. A1),
Dow Corning Ltd, Barry,
South Glamorgan CF6 7YL.

DOW CORNING

FINANCIAL CONTROLLER DIRECTOR DESIGNATE

North Notts **Excellent Salary + Car + Substantial Benefits**

SUCCESS THROUGH INNOVATION

The establishment of financial controls and information systems within a rapidly expanding textile finishing and laminating production unit, demands both professionalism and pragmatism — delivered accurately and concisely.

These are the principal challenges faced in establishing a function which encompasses production and management accounts, payroll budgetary costing and cash-flow analyses.

Qualified to CMA/CCA level and aged between 28-40, the successful applicant must be able to demonstrate a record of achievement within a production environment.

In addition to an excellent salary, this career position attracts substantial additional benefits reflecting the importance of the role.

For further details and an application form, please write to Simon Brookfield, Senior Consultant — Human Resources, 3i Consultants Ltd, 34 Park Cross Street, Leeds LS1 2QH, or telephone Leeds (0532) 459469 (24 hour reply service) quoting Ref: NR/725.

3i Consultants Ltd
Human Resources

3i A WEALTH OF EXPERIENCE

GROUP ACCOUNTANT

City

to £35,000 + Car

Money broking, leasing and financial futures dealing are the core business of this international group. Their rapid and continuing expansion has created an exceptional opportunity for a qualified accountant. This increased activity has resulted in a higher degree of complexity and consequently the main objective of the position is to co-ordinate the group's financial performance and to liaise with bankers, shareholders and senior management.

The role will carry overall responsibility for the accountants for the trading subsidiaries and subsequently the production of the consolidated report within strict deadlines for the head office. The position will encompass the provision of advice on technical matters, corporate taxation planning and reports on potential acquisitions and funding arrangements. There will be extensive involvement in the development of the financial accounting systems and the enhancement of the consolidation technique.

To be considered for this key role, ideally you will be aged 30-40, be seeking the opportunity to grow the business and will possess experience of group accounts preparation, UK corporate taxation reporting and proven management skills.

Interested applicants should write to the address below or telephone Sarah Adcock, Manager, Accountancy Division, quoting ref: CG0850.

Telephone (01) 256 5041 (out of hours (01) 981 5963)

Management Personnel
Recruitment Selection & Search
10 Finsbury Square, LONDON EC2A 1AD.

MANAGER

City

FINANCIAL CONTROLS & PLANNING

c. £30,000 + 25% Bonus + Car + Benefits

EXECUTIVE SELECTION DIVISION

An outstanding opportunity to achieve board level status with this £300m turnover company. The organisation's progressive style has enabled a high level of growth both organically and by acquisition. This publicly quoted company is now targeted on an accelerated expansion programme which will jettison it into the top league of 100 UK companies in the early 1990s.

The position has a direct reporting line to the Group Managing Director with whom this person will initiate, review and progress acquisitions and produce commercial evaluations. Also having overall responsibility for the Group's strategic plans, including action to protect the Group from potential exposure problems resulting from large acquisitions. The role is clearly very high profile requiring regular meetings with Divisional Managing Directors and Divisional Finance Directors.

The ideal candidate, a qualified Accountant, aged to 45, will have experience of a major multinational with some international business, proven analytical evaluative and interpretative skills, and will have held a senior Divisional Controller's position. Strong commercial flair, combined with an excellent personality and fluency in either French or Spanish are essential.

To discuss this position in further details, contact ***Harsa Savjani on 01-629 4463****, alternatively write to her at the address below, enclosing a comprehensive current career history.*

HARRISON WILLIS

FINANCIAL RECRUITMENT CONSULTANTS

Cardinal House, 39-40 Albemarle St., London WIX 3FD. Tel: 01-629 4463.

GROUP FINANCIAL CONTROL

a high profile corporate role

ACA mid/late 20's **to £27,000 + mortgage etc**

Our client is one of the UK's largest and most influential financial services groups. Reorganisation of its long established businesses together with numerous acquisitions and new ventures have enabled it to consolidate its dominant position in this rapidly changing and competitive sector.

A high calibre accountant aged mid/late 20's is sought to strengthen the small high profile group financial team based in Central London which produces the group's annual and quarterly accounts and investigates and advises on all matters of financial significance to the group.

Emphasis will be on accounting projects and will include acquisitions, corporate finance, monitoring the usage and movement of group funds, capital structuring and advising on accounting policies.

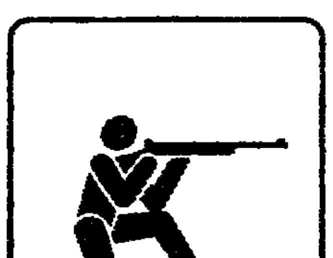
This is an exceptional career opportunity providing challenge and experience on a scale not readily available elsewhere. The size and diversity of the group's activities will ensure that there are very extensive future career opportunities, either at group or subsidiary level.

Salary is negotiable according to age and experience and benefits include a non contributory pension and subsidised mortgage.

Please write with full career details or telephone David Tod BSc FCA quoting reference D/660/TF.

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

LLOYD MANAGEMENT



- **Salaries £25,000 to £27,500**
- **Company car**
- **Media/Advertising sector**
- **New Roles**
- **Board Level Reporting**
- **Age to 32**

Raise your sights!

Financial Controllers **Central London**

Our client is a major player in the field of outdoor and specialist media advertising. Their operations encompass the management of thousands of sites in the UK, and at prestigious international airports throughout the world.

In response to a rapidly developing market and recent acquisitions the Group have identified the need to appoint two key financial figures. The appointees will liaise closely with the Group's Financial Director and keep him fully briefed on all important matters.

Preference will be given to applicants who are graduate, qualified accountants with a minimum of two years post-qualifying experience in the service industries. Experience of computer systems implementation would be useful for both positions. Experience of foreign exchange and fluency in another language would be particularly valued in one position.

The Group seeks assertive, decisive and innovative individuals who can demonstrate the potential for future advancement. The maturity and diplomacy to interact effectively with all levels of staff is of paramount importance.

Written applications, enclosing an up to date CV, should be submitted in strict confidence to **Malcolm Edgell BSc FCA** or to **Carol Saunders BA** at 410, Strand, London WC2R 0NS **quoting reference 8317.**

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DOUGLAS LLAMBIAS ASSOCIATES LIMITED, 410 STRAND, LONDON WC2R 0NS
TELEPHONE: 01-836 9501

Assistant Controller

Middlesex

£27,000 + bonus + car

Our client, a prestigious UK plc service group, is regarded as being the number one organisation within its market place sector. Highly successful performance and growth achieved to date is forecast to continue and can be attributed to the high calibre professional management team and staff.

As Assistant Controller of this division (t/o £50m) the role will assume overall responsibility for the entire accounting and reporting function through a strong team of fifty staff. Administrative and commercial decision making tasks will also contribute to the development of both existing and new business.

Candidates should be qualified chartered accountants, age indicator 28-34, with high professional standards and technical excellence coupled with good interpersonal skills to liaise with all levels of management. This is an excellent opportunity to be part of a positive and fast moving organisation that has real opportunities for career advancement.

The attractive remuneration package includes a non contributory pension and fully expensed executive car.

Please write or telephone enclosing full resumé quoting ref: 205 to:

Philip Cartwright FCMA,
97 Jermyn Street,
London SW1Y 6JE
Tel: 01-839 4572

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

Hoggett Bowers

Executive Search and Selection Consultants

BIRMINGHAM, BRISTOL, CAMBRIDGE, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM, SHEFFIELD and WINDSOR

A MEMBER OF BLUE ARROW PLC

Financial Controller

High Profile Role in Major Brewer

West of London, To £35,000 Package, Car, Benefits

As a result of an internal promotion, this major brewer now needs a new Financial Controller to head up the finance function in its largest operating division. Reporting to the Managing Director, the role is particularly wide-ranging and calls for excellent commercial awareness and judgement together with a high standard of financial skills. Candidates, aged 30-50 and with a recognised accounting qualification, must be able to demonstrate a good management track record, preferably in a fast moving, high volume business. In addition, maturity, leadership ability and good communication skills are essential. The package comprises a basic salary up to £33,000, profit share, excellent choice of car and comprehensive benefits including relocation, if appropriate.

M.W. Fosh, **Hoggett Bowers plc**, *1/2 Hanover Street*, **LONDON**, *W1R 9WB*, **01-734 6852.** *Ref: H24009/FT.*

Financial Controller

With Strong General Management Skills

Essex, c £25,000, Car, Valuable Benefits

Maximising profit in this £80m turnover business relies on fast response to rapidly changing conditions. A heavy reliance on high quality, quickly available management information makes this a key appointment. The company sells the definitive product in its market sector. Its positioning is clear - unrivalled quality of service and premium price - and profits are extremely healthy. Reporting to the Chief Executive, the successful candidate will manage a sizeable team handling management accounting and sales administration. An early priority will be to exploit to the full DP enhancements which are in progress. Candidates must be qualified accountants with proven accounting and commercial management skills gained in a senior role with a significant company. The ability to communicate financial information to non-financial managers and a willingness to take an active part in the management team are vital. This is a very rewarding job and organisational changes already agreed will ensure continuing challenge and growth of the role. Benefits include a fully expensed quality car, generous non-contributory pension, private health care and share options.

A comprehensive relocation package includes mortgage subsidy if moving from a lower cost housing area.

S.P. Spindler, **Hoggett Bowers plc**, *George V Place, 4 Thames Avenue*, **WINDSOR**, *SL4 1QP*, **0753-856851.** *Ref: W11042/FT.*

Financial Controller

Manufacturing

Hertfordshire, c £20,000, Car, Benefits

A long-established and successful autonomous subsidiary of a major International Group is strengthening its management team. The company is a leading OEM of waste handling equipment for the world market. The Financial Controller is a key post within the company allowing the Finance Director to concentrate on the broad strategic issues. Reporting to the Finance Director, the position involves complete responsibility for all key accounting functions and for ensuring that adequate operating controls are maintained. You will also be expected to develop existing computer systems to keep pace with the company's planned future expansion. Aged 28-35, you will probably be an ACMA or ACCA and will already have had accounting experience in a manufacturing environment. You will have gained the wide-ranging experience necessary for this sharp-end role, which demands contact with all levels within the organisation. Self-motivation, enthusiasm, good communicative skills and the ability to contribute to the decision-making process whilst working as a member of the management team are essential requirements. An excellent salary and benefits package is available along with comprehensive relocation assistance where appropriate.

R.J. Arnold, **Hoggett Bowers plc**, *13 Frederick Road, Edgbaston*, **BIRMINGHAM**, *B15 1JD*, **021-455 7575.** *Ref: B17026/FT.*

These positions are open to male or female candidates. Please telephone for a Personal History Form to the relevant office, quoting the appropriate reference.

CREDIT ANALYSIS

- BANKING
- INDUSTRIALS
- INSURANCE

Standard & Poor's Corporation is a leading provider of financial information services. Rapid expansion in its global debt rating activities creates exceptional opportunities to participate in the financial assessment of major European companies, particularly in the industrial, insurance and banking sectors.

The key tasks are to undertake in-depth financial and business evaluation of companies' operating performance, interview their senior management and present reports for both internal credit review and external use by the investment community.

Successful candidates will be graduates with a strong accounting, banking and commercial awareness. Good writing and inter-personal skills are key as is a working knowledge of credit assessment techniques, ideally gained through training with a major international bank. Fluency in English and one other major European language is essential.

The vacancies are London based with travel to New York and throughout Europe.

Apart from the excellent career prospects, there is a fully competitive salary and benefits package.

Please write in confidence to:
Paul Jenkinson, Human Resources Director,
Europe Standard and Poor's Corporation
19 St Swithin's Lane
London EC4N 8AD

EDP AUDIT

A challenging role for a DP Specialist or a computer friendly accountant

A major public company, with activities spanning construction, shipping, property and oil & gas exploration, Trafalgar House operates throughout the UK and in many overseas areas - including North and South America, the Caribbean, the Middle East and the Far East.

Scrutiny of our continually developing computerised systems and procedures is a high priority within the internal audit function. The additional computer auditor we now wish to appoint will be based in Croydon and will, as a team member, help to cover our interests worldwide.

The position may appeal to a DP specialist seeking a new career direction or to an accountant who is already in an audit function embracing EDP applications. Whatever your background, you will ideally possess mainframe/mini computer operations experience and some programming/systems analysis expertise, coupled with a general knowledge of accountancy procedures.

An attractive remuneration package will be offered, commensurate with the high calibre individual we wish to attract and benefits include a company car, subsidised BUPA and pension scheme. There will be considerable travel, including some overseas, and future career development prospects are excellent in an environment of continuing planned expansion.

Please write, with a detailed cv, including salary history, to: Miss J Ward, Personnel Officer, Trafalgar House Group Services Limited, Mitcham House, 681 Mitcham Road, Croydon, Surrey CR9 3AP.

TRAFALGAR HOUSE
GROUP SERVICES LIMITED

Finance Director

Middlesex
Not less than
£30,000 plus car etc

We are looking for a very special kind of person: a Chartered Accountant who can exercise financial controls and direction over several growing companies, as well as work at the most senior level with a very small team engaged in spotting and developing new opportunities. The right person will also play a significant role in group expansion and diversification.

In just 5 years our client has grown to become a dynamic market leader in a growth service industry, and highly respected in its field. Current sales are at £25 million p.a., profits are good, and both are growing rapidly. The future is very promising. Now, as part of their planned growth programme, they wish to invest in a Group Finance Director, preferably under 38 years old, who can demonstrate an excellent track record and career advancement, with expertise in areas such as creative treasury management, computerised systems and tight cost controls. Experience of a market flotation would be a plus.

Personal skills must include leadership, communication, drive, a sense of humour and a commitment to success and quality. You will be offered an excellent package and plenty of scope and challenge. The offices are to the west of London, but the activities are nationwide.

Please send your detailed c.v. in complete confidence to:

Mr. D. Wood,
Senior Partner,
Levy Gee,
100 Chalk Farm Road,
London NW1 8EH

Levy Gee

RETAIL FINANCIAL CONTROLLER

c £25,000 + Car

Our client, part of a major public company, are a growing fashion retail organisation with over 40 concessions throughout the UK. They seek a young, ambitious, qualified accountant with the drive and acumen to play a key part in building the future of the company.

In addition to a flair for investigation and analysis, he/she will bring to the job the ability to develop and implement Management reporting systems suited to the particular needs of the business.

Unlikely to be more than 35 years old, it is essential that you will have thorough working experience of the retail sector. Reporting to the Chief Executive the successful applicant will be expected to make a direct contribution to strategic decision-making, and it is envisaged that a Board appointment will follow within three years.

To discuss this unique opportunity call Stephanie Preston on 01-434 0175 or send your curriculum vitae to her at the Hamilton Partnership, Hamilton House, 61 Oxford Street, London W1R 1RB.

SUCCESSFUL JOB SEARCH

ARE YOU A SENIOR EXECUTIVE SEEKING A NEW FINANCIAL APPOINTMENT?

We are the professionals who can advise and help you. *Since 1980,* Connaught's executive clients have accessed unadvertised vacancies, obtained interviews, found the right jobs and reduced job search time.

Contact us for an exploratory meeting. It is without charge and we will tell you if we can help and at what cost; it may be easier than you think. If you are currently abroad, enquire about our Executive Expat Service.

32 Savile Row, London W1X 1AG
Tel: 01-734 3879 (24 hours)

Connaught

DIRECTOR ADMINISTRATION AND FINANCE

Northern England — Negotiable Salary.

Our client is an Italian manufacturing operation based in the North. This is a new appointment which will combine responsibility to the U.K. Managing Director and the Group Administration Director in Italy for all administrative and finance functions. This will range from product costing, through computer and management information systems to the establishment of administrative procedures required by the Italian parent. Frequent visits will be required to Italy.

Preferred applicants will be University graduates (economics or business), with professional qualifications or equivalent, aged 30-40 with experience to controllership level in a multinational, preferably Italian, manufacturer or distributor of mass consumer products. Italian nationals will be preferred but fluency in spoken Italian as well as in both written and spoken English will be essential, plus a profound knowledge of the English environment. Benefits will include a car and local accommodation if necessary.

Please address brief personal and career details including present salary to Douglas G. Mizon quoting reference F/149/M.

Ernst & Whinney
Executive Recruitment Services
Becket House, 1 Lambeth Palace Road, London SE1 7EU.

FINANCE DIRECTOR

(INVESTMENT MANAGEMENT)

EDINBURGH — **SALARY: c. £40,000**

Our client is one of Scotland's leading independent investment management groups.

They wish to appoint a Finance Director whose responsibilities will include all aspects of financial and management accounting, treasury, budgeting and administration. The person appointed will become intimately involved in planning and implementing the future strategy and development of the group.

This is a new key appointment and provides an unusual opportunity for a realistic and imaginative financial manager to contribute to the growth of a rapidly expanding investment management group. The ideal candidate is likely to be a Chartered Accountant aged 30-40 with perhaps an M.B.A. from a major business school and at least five years employment in a senior financial or commercial role in a public company. Knowledge of Stock Exchange practice would be an advantage. An attractive total remuneration package is negotiable.

MSI

Please write, in complete confidence, enclosing an up-to-date CV to Robin Fremantle at:
Management Search International Ltd.
32, Old Burlington Street, London W1X 1LB.
Executive Search and Recruitment Consultants

Offices: Atlanta, Charlotte, McLean VA., Washington, New Orleans, Houston, Dallas, San Antonio, Oklahoma City, Palm Springs, Edinburgh

Finance Director

Textiles — Overseas

Tootal, a successful and leading UK textile company, requires a fully qualified finance professional to work abroad. The initial secondment is in S.E. Asia working for a vertical textile mill employing 2,000.

As part of a small expatriate team supported by a local staff, the Finance Director reports to the unit Chief Executive with responsibility for all financial accounting matters, management information systems, cost accounting and certain Secretarial duties. Much development work is needed to 'modernise' systems and consequently, prior industrial accounting experience at 'shop floor' level, allied to the introduction and development of computer based systems is essential.

Ideally applicants will be aged 35-45, although older applicants with relevant experience will also be considered. Knowledge of the textile industry and previous overseas experience, combined with the ability to speak a second language would be of great advantage.

In order to further their career, the successful applicant must be prepared to accept further on-going secondments to other overseas locations, with the possibility of a home posting.

In addition to a negotiable enhanced salary, the package includes all normal expatriate benefits: assistance with passages; children's education; generous home leave; subsidised housing abroad.

Please apply with full CV to: **J M Allsopp, Personnel & Training Manager, Tootal Textiles Limited, Tootal House, 19-21 Spring Gardens, Manchester, M60 2TL.**

Tootal Group

Accounting for the nation's transport

£26,290-£29,740

In the Department of Transport, the Finance Directorate is responsible for the financial management and control of an annual budget of some £5 billion. This money is spent on a wide and vital range of activities including the national roads programme, sponsorship of the nationalised transport industries, local authority transport expenditure and the Department's own executive organisation.

As Accountancy Adviser, you will be a key member of the Directorate charged with ensuring that sound accountancy advice is available as necessary across the whole range of the Department's activities; and with the development of a new management and financial information system for the Department.

You must hold a full professional accountancy qualification and should have at least 10 years' post-qualification experience. Transport industry experience and a knowledge of both private and public sectors would be an advantage. A high level of intellect and the ability to operate at the most senior levels of management are essential, thus you are likely to be aged between 35-55 years.

Starting salary according to qualifications and experience within the range quoted. Relocation expenses up to £5000 may be payable.

For further details and an application form (to be returned by 9 February 1988) write to Civil Service Commission, Alencon Link, Basingstoke, Hants RG21 1JB, or telephone Basingstoke (0256) 468551 (answering service operates outside office hours).

Please quote ref: G/7463.

The Civil Service is an equal opportunity employer

Management Accountant

Prospective Finance Director

To £18,000 — West Midlands

This fast growing £20m high-technology company is being backed by a multi-national parent Group which sees this business sector as an important element in its plans for the 1990's and beyond. To sustain its current and future growth pattern, senior management is well aware of the need to provide a full range of computerised business systems and first-class financial support.

An alert and innovative ACMA is required for the position of Management Accountant, directly accountable to the Finance Director for the introduction of quality financial information into the management decision-making process. Planned computer development will provide an opportunity to upgrade both budgeting and product costing systems and to extend considerably the level of effective analysis work.

Previous experience in a manufacturing environment is important, together with a keen analytical mind and the interest and enthusiasm to become fully involved in the business. Applicants should have the ambition, drive and ability to progress to a subsidiary company finance directorship or similar role within the Group, whose policy is to actively develop the careers of its finance staff through its many units and several divisions. Age guide: 25-30.

Interviews will be carried out locally and candidates should reply in confidence quoting ref: E105 to:

Margaret Mitchell
Mason & Nurse Associates
5a Station Road, Egham
Surrey TW20 9LD.
Tel: 0784 71255
Offices in London, Birmingham and Egham.

Mason & Nurse
Selection & Search

MANAGEMENT ACCOUNTING

FOR ONE OF THE U.K.'s LARGEST CONSTRUCTION PROJECT:- THE CHANNEL TUNNEL

These accountancy opportunities are with Transmanche-Link:- the dynamic consortium formed from 10 major construction companies (5 British and 5 French) – fully responsible for constructing and monitoring the entire project over the next 5 years.

This multi-billion pound venture requires tight financial control and extremely high standards of accounting procedures.

In order to sustain our efficient business practices, several new accounting positions have been created. We need:

SENIOR ACCOUNTANTS | ACCOUNTANTS | ASSISTANT ACCOUNTANTS

Originally based in Ashford, Kent, but transferring shortly to the Folkestone area, these positions are seen as being vital to the success of the project and embrace a wide range of responsibilities. These include each accountant becoming involved in one specific area of the contract, the preparation of budgets, detailed forecasts and cost reports in order to assist site management in minimising expenditure.

Formal qualifications to ACMA/ACCA level are required, ideally supported by several years' directly relevant experience gained in the U.K.

Attractive salaries are offered together with benefits which include positive assistance with relocation or a subsistance allowance as appropriate, a company car at accountant level or above, pension and sick schemes, etc.

Please send sufficient career details to warrant an early interview to:
Mr. Stewart West, Recruitment Manager, Transmanche-Link,
Channel Tunnel Contractors, Translink J.V., U.K. Operations,
Charter House, Park Street, Ashford, Kent TN24 8EZ.
Tel: Ashford (0233) 46601.

TML

We supply the best T-Shirts & Printing in the UK & therefore can offer the best rewards.

Financial Director

By constantly providing our customers with what they want, when they want it, GBTC has become one of Europe's largest T-Shirt printers and the Group currently turnover in excess of £10 million p.a. We are an independent company which believes in self-motivation and this has enabled us to develop a range of products which gives us a unique position in the marketplace.

We are the only company in our field to unconditionally guarantee a T-Shirt and this is called a SUPATEE.

Since our expansion to Corby in 1987, we have been recruiting people from all disciplines to join our team. We offer excellent prospects and rewards to all successful applicants.

We are currently looking for a Financial Director to join our team at the highest level. The suitable applicant will be:

- ★ A fully qualified accountant.
- ★ Capable of controlling a group of companies.
- ★ Experienced in Import finance levels around £6m p.a.
- ★ At a time in their career where a challenge is necessary.
- ★ Highly motivated when results are rewarded with Equity options and a package circa £40K.

All applications should be made in the first instance, sending a full C.V. to Great British T-Shirt Company, Supatee Complex, Pywell Road, Willowbrook Industrial Estate, Corby, Northants NN17 1XJ marked for the attention of Jeneth Slater. Tel: 0273 - 609487.

FINANCE EXECUTIVE – LONDON

BUILD ON YOUR ASSET FINANCING EXPERIENCE

To stay at the forefront of worldwide communications today requires the development and proper exploitation of frontier technology, deploying the very latest earth stations, satellites, fibre optics, submarine cables etc, all controlled by specially designed state-of-the-art computing systems. These form the core of our assets. The function of financing these assets is a major task – both in size and complexity.

Within the world of high technology, few companies can match the breadth and depth of Cable & Wireless. In no less than forty-five countries, worldwide, the Cable & Wireless Group is the clear leader in national and international communications.

We are now looking for an additional person to join our existing professional team. You could possibly be working currently in a banking environment or for a multi national of similar status. The person we are looking for will have a strong personality and have an attention to detail that will enable them to 'argue their case' at the highest levels. You must be able to communicate effectively, both within and outside the Group, as you will be heavily involved in the decision making process to obtain the most cost-effective financing for major capital expenditure.

You should be familiar with a broad range of asset-based financing techniques. You will have some experience in their applications and capital markets, commercial paper programmes and aid support programmes worldwide.

You should have an honours degree or business degree specialising in finance, whilst an MBA, ACT, or recognised banking qualification, would be an advantage. As you would expect, the job involves the use of computer based systems, so a familiarity with P.C's is important.

The salary and fringe benefits package is open to negotiation, based on your individual experience. The relocation package will be similarly generous, for anyone requiring it.

To find out more about this challenging career, please phone 01-405 4980 (24hrs) for an application form or write with career details, quoting ref: R721/FT, to: The Recruitment Manager, Cable & Wireless plc, Mercury House, Theobalds Road, London WC1X 8RX.

Cable and Wireless
Helps the world communicate

DYNAMIC GROUP ACCOUNT WEST LONDON

£20,000 + car

We are looking for a young, dynamic chartered accountant, with 1 to 2 years post qualification experience, to report to our group finance director. FTC Holdings PLC is a fast growing, international marketing services group with a turnover in excess of £40 million.

This is a new post, following the recent enlargement of the group, and will initially involve monitoring and reviewing subsidiary company management accounts, and their consolidation, together with systems development and implementation. It is intended that this position will expand to cover involvement in acquisition investigation and appraisal. It is unlikely that the successful candidate will remain in this position for more than three years as the rapid expansion of the group offers many opportunities for career progression.

Please reply with full CV to:
Rona Ensom, FTC Holdings PLC, Sinclair House, The Avenue, West Ealing, London W13 8NT

PUBLIC COMPANY FINANCE DIRECTOR

London — Salary and package negotiable

The company is a young and rapidly expanding quoted property company with a number of subsidiaries.

The role will be to take responsibility for the entire finance function of the Group, supported by accountancy staff. Working closely with the other directors, you will be expected to contribute to decisions covering the full range of the Group's activities.

The successful applicant will be a qualified chartered accountant, probably aged in his or her late 20s or 30s and able to demonstrate technical strength. Experience of property, of contract negotiations and of public company circulars is very desirable. It is essential that he or she will be a determined, energetic 'hands on' controller, with the ability to act decisively and commercially in a fast moving progressive environment.

Detailed CV to Box A0787, Financial Times, 10 Cannon Street, London EC4P 4BY

INTERNAL AUDITOR

Salary: c.£23,000 pa + excellent banking package

A major French bank with a staff of 80 seeks an Internal Auditor who will be responsible for establishing and implementing the annual audit plan and for liaising with External Auditors and Head Office Inspection team.

The position has been upgraded to reflect the importance of the role and the impact of the Financial Services Act, and reports to the General Manager.

Candidates must be experienced in UK banking activities and accounting practices, and should be prepared to develop the new office of Compliance Officer within the organisation. A knowledge of French would be helpful, plus organisational qualities and the ability to forge good relationships with colleagues.

Interested applicants should write in confidence, enclosing a comprehensive Curriculum Vitae with daytime telephone number, to

Box A0788,
Financial Times,
10 Cannon Street, London,
EC4P 4BY.

FINANCIAL CONTROLLER

SUNBURY ON THAMES

c£22,000 + Car + Bonus

The Company is a rapidly expanding manufacturing business involved in the manufacture, sale and distribution of high quality toiletries and toiletry gifts. Growth has been consistent and profitable with exciting prospects for the future, possibly culminating in a USM listing.

This expansion has created a demand for a commercially orientated manager to join a young team of professionals. The priority is to develop a solid finance function, instantly responsive to the needs of the business. Specifically, this will include developing accounting and related management information systems.

Candidates will be qualified accountants, able to provide evidence of successful contribution to a demanding, smaller company environment. A strong personality combined with commercial flair and a flexible, hands-on approach are all essential to success. In addition computer literacy, sound organisational skills and the ability to work closely with the management team and become involved in all aspects of the business.
Preferred age: Mid 20s to 30s.

To apply please write enclosing personal, career and salary information to:

Valerie McKelvey, Executive Selection Division,
Hacker Young Management Consultants,
St Alphage House, 2 Fore Street,
London EC2Y 5DH.

Hacker Young
MANAGEMENT CONSULTANTS

CYNGOR SIR GWYNEDD COUNTY COUNCIL

County Treasurer

Salary Package c£38,000

The Council is seeking to fill this Chief Officer post by August, 1988 on the retirement of the present County Treasurer. As the Chief Officer of the Finance Department the Treasurer is responsible for giving financial advice to the County Council and he is generally responsible for the management of the Council's finances.

The Treasurer will be expected to contribute to the corporate management of the County Council through the Chief Officer's Management Team. Applicants should be qualified accountants (preferably CIPFA) with *considerable local government experience and extensive experience in* a senior position. They should have proven management ability in a large and complex organisation.

Ability to communicate in Welsh and English essential.

Car allowance and assisted purchase facilities available. Financial assistance for removals and resettlement expenses available in appropriate cases.

Application forms and further particulars available from the County Personnel Officer, County Offices, Caernarfon, LL55 1SH.
Tel (0286) 4121 ext 2078.
Closing Date: 8th February 1988.

VIKING PROPERTY GROUP
GROUP FINANCIAL CONTROLLER

The Viking Property Group of property development companies with substantial programmes in both the United Kingdom and North America proposes to appoint a qualified accountant as Group Financial Controller.

The successful applicant who is likely to be aged about 35 will be based at the Group's Head Office. In liaison with the present accountant, he will be responsible directly to the Joint Managing Directors for all financial aspects of the Group including:

Financial reporting
Management accounts information
Budgetory control
Data processing
Assets and Cash Management
Tax Planning
Insurance
Analysis and evaluation of Company acquisitions
Administrative Systems

In addition he will assist in the assessment of the economics of contemplated development schemes, in the control of the expenditure of projects in hand and in the completion of the relevant legal documentation.

He will also be appointed Company Secretary to all the companies within the Group.

Salary, car and other fringe benefits will be offered commensurate with age and experience.

Applications in writing with full CV and recent photograph to The Joint Managing Directors, Viking Property Group Ltd, Kilburn Hall, Kilburn, Derby, DE5 0LU, marking the envelope 'Private and Confidential'

LONDON APPOINTMENTS

Financial Controller — c£30,000 + bonuses

This is an important opening within a medium sized stockbroking firm which will enable you to exercise complete financial control and report to the Managing Director. You are a young (32 max) chartered accountant, probably with relevant financial sector experience, and confident in your ability to undertake extensive procedural/systems reviews whilst maintaining a critical reporting cycle. Your success will be rewarded by promotion to the Board within 2 years. Ref SEW 3095

Accounts Manager — c£25,000 pa

Sustained expansion and a recent internal promotion in this multinational media and retailing group has created an excellent opportunity for a qualified (preferably ACA) accountant, aged 26-30, seeking career development in a prestigious head office role. Supervising several qualified staff, you will be expected to provide key analytical support in various acquisition and disposal projects in addition to managing a varied group accounting service. Ref PSW 3092

To find out more about these appointments, or the range of opportunities currently available, please contact Stewart Wright, Manager, Accountancy Appointments.

Telephone 01 408 1694 (out of hours 01 851 2502)

Management Personnel
2 Swallow Place. LONDON W1R 7AA.

LONDON'S OLDEST FIRM OF CHARTERED ACCOUNTANTS

Requires experienced all-rounder for general practice division. Sound tax knowledge essential. Partnership prospects for the right candidate.

Applications in writing to:-
The Staff Partner, Bagbies, 6 Raymond Buildings, Grays Inn, London WC1R 5BP

DEPARTMENT OF PROPERTY, ECONOMIC DEVELOPMENT AND TOURISM

ASSISTANT DIRECTOR
(Economic Development)

Salary £20,892 — £22,641 p.a. + lump sum car allowance

As a result of a major re-organisation of the Council's management structure and departmental responsibilities, a new department has been created to spearhead the City Council's policies and exciting new initiatives in the areas of Property, Economic Development and Tourism.

The new department has a vacancy for an Assistant Director (Economic Development) to join the Director as a member of the departmental management team.

Applicants for this challenging position must be appropriately qualified and experienced with a proven track record in management at a senior level. They must possess exceptional leadership qualities and be able to apply the full range of management skills towards the achievement of objectives.

The person appointed will be required to assist the Director in identifying the objectives of the department and in developing and implementing a corporate management approach to achieve those objectives. A high level of personal motivation and commitment to the development and effective planning of the work of the division will also be expected.

Application forms and further details available from the Personnel Manager, City Secretary's Department, The Guildhall, Nottingham NG1 4BT. Tel. (0602) 483501 ext. 4624. Closing date for applications 10th February 1988. Please quote ref. PEDT/2 on all correspondence and enquiries.

City of Nottingham
An Equal Opportunity Employer

Accountancy Personnel
Placing Accountants First

TOMORROWS F.C. TODAY

UPL GROUP PLC **West London** **£15-17,000 Neg**

An ideal opportunity to combine the early responsibility and challenge offered by a thriving, growing company with the support and strength of a major UK listed group. As Financial Controller of UPL's specialist food distribution arm you will enjoy autonomous responsibility for all aspects of Finance/Accounting. This will encompass staff management, statutory and management accounts, control of computer operations and development of accounting and administrative controls.
You will be young, ambitious and probably part-qualified, and will receive study support/encouragement to achieve qualification within 3 years.
If you can combine accounting experience with general business skills your progression will be rapid and rewarding.
Benefits include:- Study Package and other company perks.

For further details, please contact: Accountancy Personnel, 70 Watling Street, London EC4M 4DD Tel: 01-236 0657

ACCOUNTS MANAGER/ INVESTMENT MANAGER

CONFIDENTIAL

EC4 **£25,000+Excellent Banking benefits**

As a major new force in Investment Management, this dynamic and highly professional finance organisation has become one of Britain's fastest growing companies.
This has resulted in exciting opportunities within the accounting function. This latest vacancy offers the Qualified Accountant (ACA/ACCA/CIMA) the opportunity to head up an expanding department taking on the full range of responsibility including:-
* Control of the accounting function
* Financial Accounting
* Management reporting (with latest technology)
* Liaison with management and all staff.

To be considered for this senior post you should be computer literate with at least 2 years PQE preferably within the financial services sector and should be seeking a rewarding niche in the City. Quote Ref GHM 1MGT

For further details, please contact: Accountancy Personnel, 70 Watling Street, London EC4M 4DD Tel: 01-236 0657

Finance Director Designate

Lloyd's Brokers **City**

A highly profitable, medium-sized firm of Lloyd's Brokers intends to appoint a Chartered Accountant to its main Board. He or she will direct a division handling all non-broking activities: accounting, finance, insurance administration, computing and office services.

Candidates, probably aged 35-45, must have obtained a good knowledge of the insurance industry preferably with a Lloyd's Broker. In addition to first-class professional and managerial skills, personal qualities are all important: strength of personality, judgement, tact and humour, enabling him or her to participate in a dynamic management team.

A substantial salary will be negotiated and the package includes car, bonus and non-contributory pension.

Please apply to: Sir Timothy Hoare Bt., Career Plan Ltd., 33 John's Mews, London WC1N 2NS. Tel: 01-242 5775.

Career Plan Limited
Personnel Consultants

ACQUISITIONS HIGH FLIER
Birmingham
£25k+bonus+car+petrol+BUPA

A successful plc with an impressive, long-running track record wants to recruit an ACA and/or MBA to advise on corporate development strategy and acquisitions.
This is a newly-created role which will involve identifying and researching targets, carrying out appraisals, negotiating and finally making recommendations.
The company has a strong balance sheet and is poised to make substantial acquisitions with emphasis on the engineering and construction sectors. It follows that – apart from possessing formal qualifications and having the necessary flair and self-starter capability – anyone applying to do this job must be able to demonstrate time-spent working as a member of a successful aquisitions team in a successful business.
This is an outstanding opportunity in an outstanding company and this is reflected in the salary/benefits package. If necessary, assistance with relocation will also be provided.
Please apply in writing enclosing a detailed c.v. and a separate list of companies to whom your application should not be made known to:
The Personnel Consultant, Welding Woodhead Limited, 44 George Road, Edgbaston, Birmingham B15 1PL.

Career Opportunity for Tax Adviser
London Based Multinational
c.£33,000+car

British-American Tobacco Company is a British owned group manufacturing and marketing tobacco products in over 40 countries with a turnover in excess of £2,600 million and part of B.A.T Industries whose turnover is around £19,000 million.
The Corporate Tax Department is based at the London Head Office and consists of a young and dynamic management team of 3 reporting to the Head of Tax. You will be responsible for the tax liabilities of a group of overseas subsidiaries together with UK corporate tax issues. Working autonomously you will be expected to advise Board members and MDs of overseas subsidiaries, the latter offering an opportunity for overseas travel.
In their 30s, candidates must have experience in the taxation affairs of multinationals and should be either Chartered Accountants with tax advisory experience gained in industry, or Inland Revenue Inspectors working in a sizeable Tax District.
Our policy is to offer positive career progress – in this case senior positions will be planned in Tax Departments throughout B.A.T Industries. The salary package is supported by a range of benefits including company car, non-contributory pension, family BUPA, share participation and relocation expenses.
For further information and an application form please write initially to

Geraldine Cable,
Adviser Recruitment & Selection, British-American Tobacco Company Limited,
Westminster House, 7 Millbank, London SW1P 3JE.
Alternatively ring 01-222-2610 (24hr answering service).

B·A·T

FINANCIAL DIRECTOR INDUSTRIAL DIVISION
£25,000 p.a. + Car

A highly competent financial director is required for our Industrial Division covering surface coatings manufacturing locations in Ruabon, Wrexham and Birmingham. The post will be based on the Ruabon central facility.
The financial director will be responsible for all financial and management accounting of a £10 million plus business, employing over 200 people and will report to the Divisional Managing Director. Essential qualities are the ability to work with a dedicated team of executives, to be self motivated and committed to the profitable development of the business.

Applications with CV in the first instance to:-
Group Financial Director,
Manders (Holdings) p.l.c.,
PO Box 186, Old Heath Road,
Wolverhampton WV1 2QT

Manders
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Manders

B&Q

Audit Controller

Nr Southampton **£ Excellent + F/E Car & Relocation**

Our client is B & Q Plc, the rapidly expanding £500m+ T/O subsidiary of Woolworth Holdings and now firmly established as the leading DIY and Garden Centre retailer in Europe. Turnover has more than doubled since 1983 and the total number of supercentres throughout the UK now exceeds 200. This growth has created an outstanding opportunity for a high calibre accountant to join the finance team as Audit Controller.

The role will entail responsibility for the development of the existing audit function (16 staff) both at Store and Head Office level. Key areas of involvement will include the implementation of new control techniques (particularly in the field of computer audit), specific investigations at the request of the board, development of a team of profit orientated internal consultants and contributing to the overall management of the business. Career prospects are outstanding.

Candidates should be qualified accountants, with indepth knowledge and experience of the latest audit techniques applicable to highly sophisticated computer systems, together with the personal presence, highly developed communication skills and commercial awareness required to operate successfully at senior level in a major group.

The company offers a very attractive package including profit share, pension scheme, private medical care and full relocation where appropriate.

Interested candidates should write quoting reference SV 1060 enclosing a comprehensive CV to Mark Carriban ACA at
Michael Page Partnership,
Kingsbury House, 6 Sheet Street,
Windsor SL4 1BG.

MP
Michael Page Partnership
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Chief Accountant

Central London **c.£40,000 + car + substantial benefits**

Here is a significant opportunity to contribute to the growth and future success of this London-based financial services company. A major *PLC*, which has substantially reorganised to take advantage of the deregulation of financial markets, has created a new management structure. As a result the finance function has been strengthened by creating a new senior position reporting to the Director of Finance.

This is an exciting and challenging role in an expanding sector. Your main responsibility will be the financial consolidation and reporting activities of the Group. More specifically, this will involve the management and development of current accounting systems in a rapidly changing environment. In addition to the preparation of statutory accounts and returns and control of the subsidiary accounts, the promotion of highly professional standards of accounting is essential. This will necessitate strong management of the finance department, comprising some 200 staff.

Aged 33-45 and a qualified accountant, you will have proven experience of managing a large financial accounting function, ideally, although this is not essential, in a financial services company. You will have sound management skills, mature commercial judgement, and the ability to steer complex projects from planning through to implementation.

All enquiries will be treated in strict confidence. Please send a brief cv, quoting **Ref: 1931/FM/FT,** to Fiona McMillan.

PA
PA Personnel Services

Executive Search · Selection · Psychometrics · Remuneration & Personnel Consultancy

Hyde Park House, 60a Knightsbridge, London SW1X 7LE.
Tel: 01-235 6060 Telex: 27874

FINANCIAL DIRECTOR DESIGNATE

Worthing, West Sussex **Package: c£30,000 + Quality Car**

King & Chasemore is a successful and fast growing member of Nationwide Anglia Estate Agents Limited, one of the major forces in the property services sector. We are ambitious and profitable and looking to recruit a high calibre Chartered Accountant with experience in the services industry.

Reporting directly to the Managing Director you will take on the full responsibility for the accounting function which will include the development of accounting systems, budgeting and forecasting methods and monitoring profitability. You will lead a small team and must possess excellent technical and communication skills. *Experience of acquisitions and mergers is also required.* The successful applicant is unlikely to have less than 6 years post qualification experience.

Naturally the package will reflect previous relevant experience and will not prove a barrier for the right candidate. Benefits include BUPA, Life Assurance, Permanent Health Insurance and a contributory pension scheme. This is a new position and the prospects for growth and advancement are excellent.

If you think you have the ability to handle this position we should like to hear from you. Initially please forward in an envelope marked Private & Confidential a full c.v. detailing age, current salary and a daytime telephone number, to:-

D. M. Spofforth ACA, Director, King & Chasemore, Ambrose Place, Worthing, West Sussex BN11 1PZ.

This position is open to men and women.

Nationwide Anglia
King & Chasemore

HARBOURS

Papua New Guinea Harbours Board
CHIEF INTERNAL AUDITOR

APPROX £20,700 - CAR - BENEFITS

The Papua New Guinea Harbours Board has 500 employees and controls 16 Ports in Papua New Guinea. The position is located in Port Moresby.
The Chief Internal Auditor reports to the General Manager and is responsible for the professional conduct of all internal audits including audits of:-

Management Controls Computer Systems
Accounting and Purchasing Ports Personnel Systems and Records

The position offers the challenge of consolidating the audit function as an aid to effective management. Development of 3 Audit Officers will be an on-going function and frequent travel throughout Papua New Guinea is involved.
The incumbent will belong to recognised accounting institute and should have extensive audit experience, preferably at Audit Manager level, with concise written and verbal communication skills.
Experience in a developing country would be an advantage in this position. Benefits include accommodation, education subsidies, relocation expenses and leave fares. A 3 year contract is envisaged.
Written applications, should be forwarded to Portia Management Services, Port of Liverpool Building, Pier Head, Liverpool L3 1BZ.
Closing date for applications is 29 January, 1988.

PORTIA MANAGEMENT SERVICES LTD.
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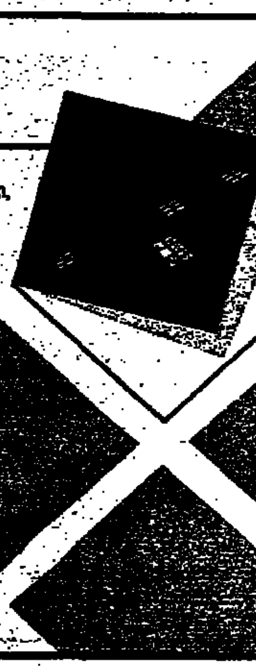

The Company
A young, dynamic, rapidly expanding international group providing global services to transportation, quoted on the Stock Exchange, market capitalization at over £100M.

The Task
To gear up information systems capabilities to match planned business growth.

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To recruit a team of experienced IBM System 36 professionals using RPG II/III plus 4GL, international comms, utilizing X25 Mercury leased lines and telex.

The Key Appointment
A Systems accountant with a minimum of 3 years post qualification experience and a thorough awareness of computer systems, design and support.

The Package
To £25,000, plus fully expensed company car, private health *insurance, contributory company pension scheme, 4 weeks* holiday and excellent career prospects.

The Challenge
To contact us now to find out why you should be modelling yourself on the Tiphook System.

Call Jennifer Bowden on 01-460 6060 or write with an accompanying CV to Tiphook PLC, Lancaster House, 7 Elmfield Road, Bromley, Kent, BR1 1LT.

Tiphook plc

Divisional Financial Controller

c.£25,000 S.W. Midlands

This position includes a substantial commercial element in addition to orthodox financial management, with high visibility which includes working at board level, deputising for the Finance Director and handling a variety of important external relationships. The responsibilities include evaluating, progressing and controlling projects, joint ventures and acquisitions; providing support to optimise pricing decisions, bid negotiations and submissions; developing the divisional corporate strategy; and interpreting and reporting on financial results and performance.

The organisation is a £70m division of a substantial British industrial multinational which offers good long term prospects to successful finance staff. Through technical innovation, product performance and reliability the division has become a market leader and is recognised as a key supplier worldwide.

Applicants should be graduate accountants aged 28-35, with well developed commercial acumen in addition to sound technical skills. Initiative and enthusiasm are essential in addition to the professionalism to be of influence at board level. Relevant previous experience is important, gained in a commercially orientated manufacturing/industrial group or large company. Relocation assistance is available if necessary. Initial interviews will be conducted locally.

Please reply in confidence quoting ref: E107 to:

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For further information call 01-248 8000

Tessa Taylor
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PARKFIELD GROUP PLC

GROUP FINANCIAL CONTROLLER

During the past three years, Parkfield has been transformed from a foundry company with annual sales of £4 million into a highly profitable manufacturing and distribution group with annual sales in excess of £250 million.

Parkfield has a strong balance sheet and is therefore very well placed to take advantage of the considerable opportunities that exist for the organic growth of its companies and for making future acquisitions.

The position of Group Financial Controller reports to the Group Financial Director whose own role is very strongly business development oriented.

The Controller's responsibilities are those normally associated with such a position, however, considerable emphasis is being placed on the development of financial policy, systems, procedures and controls. Other areas of particular importance are treasury and management information. There will of course be involvement in acquisitions.

Candidates should be qualified accountants, preferably in the age range 35-45. Experience at both Plc Group level and at operating company level is desirable, as is an understanding of manufacturing and distribution companies.

Candidates should also be self-starters, with a high degree of commercial acumen, technical strength and well developed interpersonal skills.

Salary is negotiable and will not present a barrier to the recruitment of an outstanding candidate.

Write including a full CV to Tim Elster, Parkfield Group Plc, Longdene House, Longdene Road, Haslemere, Surrey, GU27 2PH.

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Finance Director

South East England £35K-£40K + Executive Car

Our client, a private company is an international produce merchant in the importing and distribution industry with a turnover of £15m. The company has existed for over 100 years and is a highly respected and well known supplier to all sectors of the food industry.

The company is now seeking a Finance Director. Reporting to the Chairman, you will be responsible for a small staff and for a full finance function using advanced financial support systems. Particular emphasis is placed upon timely, precise management information, particularly in the areas of contract commitment and foreign exchange exposure, and cash flow management including considerable bank liaison. Additional responsibilities include company secretarial duties, and liaising with external authorities.

The successful candidate will be a graduate chartered accountant aged 28-33. You are likely to be currently in public practice with several years' experience at manager level. Experience of the "city", currency management, and the merchanting industry would be advantageous. Personal qualities will include strength of character, a high level of commitment, and a desire to have fun whilst creating wealth.

The compensation package includes a very competitive salary, a fully expensed quality car, family BUPA, and Life Assurance. After one year's service a share of the profits will also be offered.

If you match the demanding qualities that my client requires, please submit your CV to Wayne Thomas, Executive Division, Michael Page Partnership, Kingsbury House, 6 Sheet Street, Windsor SL4 1BG.

Michael Page Partnership
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FINANCE DIRECTOR ADVERTISING W2

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EXECUTIVE SELECTION DIVISION

This prime opportunity arises at a time of exciting new developments in the history of this remarkably successful direct marketing company. An impressive client list together with its innovative and decentralised style of operation enable continued progress.

The position reports directly to the Managing Director, and will involve close liaison on all matters of company policy and planning including new company formations and acquisitions; overall responsibility for improvement and implementation of systems, business forecasts, interpretation and communication of financial data.

The candidate profile is for a qualified Chartered Accountant aged to 35, with commercial experience. Essential qualities are, the power to disseminate financial data to more commercially and creatively oriented people, the ability to tackle any given set of problems and the strength of personality to consider the broader perspective.

To discuss this position in further detail, contact. ***Harsa Savjani*** *on* ***01-629 4463,*** *alternatively write to her at the address below, enclosing a comprehensive current career history, quoting ref: HS 313.*

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS
Cardinal House, 39-40 Albemarle St., London W1X 3FD. Tel: 01-629 4463.

Assistant Financial Controller

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FIRST MORTGAGE SECURITIES LIMITED

c.£22,000+Comprehensive Benefits

First Mortgage Securities is a leader in the development and funding of innovative and branded mortgage products. This new Group is backed by four major British institutional shareholders. To support the rapid growth of the business, they now wish to recruit a finance professional to play an important role in the future development of the Group.

Reporting principally to the Controller, you will assist in the implementation of all financial and management information systems to ensure that daily activity is carefully monitored and accurately reported at all times. Duties will also include the preparation of statutory and financial accounts, the production of the management information package, budgeting and assisting with the development of business plans. You will also be required to support the treasury and company secretarial function. The company's open management style will ensure access to senior management.

Candidates will be Chartered Accountants aged 25-30 able to demonstrate capacity for initiative and hard work, preferably having previous experience in the financial services sector. They should also have good PC based systems experience, strong interpersonal and communications skills and be able to function equally well both on their own and as part of a team.

For further information, please telephone or write, enclosing full career details to Martin Krajewski, Firth Ross Martin Associates, Wardgate House, 59a London Wall, London EC2M 5TP. Telephone: 01-628 2441.

FIRTH ROSS MARTIN ASSOCIATES LTD.

Manager – Treasury Operations

Central London c £25,000 + Car

Our client is a prestigious British Group with widespread international interests and a record of consistent growth.

The Group's manufacturing activities are at the forefront of modern technology and turnover exceeds £400 million.

A Treasury Operations Manager is sought to join a small highly professional team based at the Company's Headquarters in Central London. The principal duties will encompass day-to-day management of the Group's short-term borrowing requirements, investment of cash surpluses and foreign exchange management. He will have responsibility for the further development of the existing computer-based systems for treasury management and participate in the general liaison with the Group's bankers. In due course the successful candidate is likely to gain exposure to other areas such as trade finance and the capital markets.

Applications are invited from qualified accountants, aged up to 30, who have spent at least one year in Treasury, including experience in a dealing environment.

Prospects of promotion both within the Department and to a senior line role in one of the Divisions are excellent.

If you are excited by the challenge of working in a very progressive and innovative treasury environment, then write enclosing a comprehensive CV and daytime telephone number quoting ref. 482 to Tony Martin, **Executive Division, Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH** or alternatively, to find out more telephone him on **01-831 2000.**

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Group Accountant

Young Fast Growing PLC

Richmond

to £25,000 + car

Our client provides a complete range of building design, technical and project management services. Since their recent successful stock market flotation, they have achieved impressive and accelerating growth and several exciting new opportunities are under consideration.

Strong financial management is, however, critical to their success. They, therefore, wish to appoint a high calibre Group Accountant to be responsible to the Finance Director for the accounting, statutory reporting and cash management requirements of the group. You will also work closely with the management on the appraisal of acquisitions and their integration into the Group.

The position calls for a Qualified Accountant with several years broad based experience in commerce. We will be looking for high technical skill coupled with the ability to manage an efficient accounting function able to respond to the demands of a fast expanding business.

Located in the attractive riverside town of Richmond, the position offers an attractive remuneration package, including a fully expensed car. Career prospects are excellent in line with the ambitions of this innovative and acquisitive group.

Please send concise details, including current salary and daytime telephone number, quoting reference D2020, to W S Gilliland, Executive Selection Division, Grant Thornton Management Consultants Limited, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

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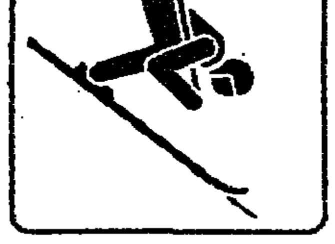

- c £21,000 + fully expensed company car.
- Other benefits including pension scheme & BUPA.
- Profitable and successful company.
- Reporting directly to the Head of UK finance function.
- Assisting with business decision making.
- Prospects for advancement to a financial management role within the Group.
- Modern, pleasant offices.

Our client is a major subsidiary of a multinational Group and employs 350 people in the UK. The Group operates in 60 countries and has been established in the UK for over 70 years. Although the traditional lines of business include, *inter alia*, the manufacture of industrial automation and production equipment, the Group has also moved into areas of technology which offer new opportunities for growth.

Responsibilities in this newly created position will include analysis, evaluation and action in relation to Divisional profitability; close liaison with Marketing Divisions in achieving targets and investigating data; and the preparation and implementation of special programmes for the Finance Department, including those for the management areas of the Company.

You must be a qualified accountant, probably a graduate, and be able to communicate effectively with non-financial management. You must also be a forward-thinking individual with the ability to generate new ideas. In addition to being PC literate, you must be familiar with computerised General Ledger systems.

Interested applicants should write in strict confidence to **Peter Green**, enclosing a comprehensive CV, at Douglas Llambias Associates, 410 Strand, London WC2R 0NS, **quoting reference number 8336.**

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TELEPHONE: 01-836 9501

This is a rapidly expanding telecommunications/IT company (compound growth over 40% and t/o passing through £40 million) with important export and overseas interests in addition to a strong UK market. It is a subsidiary of a major UK group and it has a young interactive management team in which there are now 2 new vacancies.

Financial Planning Manager

£25,000 p.a. S.W. London

For a varied role, created to assist the Financial Director in the longer term aspects of *financial planning, particularly acquisitions/joint ventures; to monitor the* performance of overseas companies in the USA, Europe and Australia; and to undertake a variety of ad hoc investigations and projects arising out of the expansion programme.

Applicants should be qualified accountants aged 25-35, with previous experience of company analysis/appraisals and business planning gained in industry or the profession. Ref. E113.

Systems Accountant

£25,000 p.a. S.W. London

To report to the Finance Director and play a key role in establishing, managing and implementing a coherent systems policy for the finance function. The company already operates integrated financial systems using DEC computers aided by linked P.C.s and a comprehensive range of software which will be subject to regular review and updating. Having gained a basic understanding of the organisation, the systems accountant will be responsible for the appraisal of existing computerised and *manual systems and establishing opportunities for new systems; carrying through* implementation of agreed proposals. The effectiveness of the systems is considered an essential element in the planned expansion of the business.

Applicants should be qualified accountants aged 25-35, with previous systems experience gained in an alternative commercial organisation or during *systems audit work*. Ref. E112.

Please reply in confidence quoting the relevant reference to:

Margaret Mitchell
Mason & Nurse Associates
5a Station Road, Egham
Surrey TW20 9LD. Tel: 0784 71255

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During the past three years, Parkfield has been transformed from a foundry company with annual sales of £4 million into a highly profitable manufacturing and distribution group with annual sales in excess of £250 million.

Parkfield has a strong balance sheet and is therefore very well placed to take advantage of the considerable opportunities *that exist for the organic growth of its companies and for* making future acquisitions.

A new position, of Group Internal Auditor, is to be created. We envisage a very compact but highly effective audit function whose role will embrace both conventional and operational audit. It will be both profit and control oriented and will reflect the Group's holding company philosophy, which is to give subsidiaries a very high degree of autonomy, while maintaining tight and highly specific financial controls.

Applicants should be able to evidence sound training and experience in audit, preferably but not necessarily, gained with one of the "big eight" firms. This should have been diverse in both type and size of company and should have been consolidated and enhanced by a subsequent period outside the profession.

Vitally important is maturity of judgement and personal presentation and, therefore, the ability to create an audit presence that enhances both profitability and control.

Opportunities for personal growth are considerable and salary will not preclude the recruitment of an exceptional candidate who may very well be in a similar role at present.

Write including a full CV to Tim Elster, Parkfield Group Plc, Longdene House, Longdene Road, Haslemere, Surrey, GU27 2PH.

PARKFIELD GROUP PLC

GROUP INTERNAL AUDITOR

LOCATION FLEXIBLE
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Charles Church the quality housebuilder has opportunities for newly qualified Chartered Accountants to join Regional management teams based at offices in Chesham Bois, Bucks and Reigate, Surrey.

Reporting to the Regional Managing Director, you will provide a full Management and Financial Accounts service to these developing Regions. In addition to your professional skills, you should be hardworking, enthusiastic and able to liaise with staff at all levels.

In addition to an attractive salary (negotiable), we offer a highly competitive benefits package.

Apply with CV to Miss H M A Bohan, Group Personnel Manager, Charles Church Developments PLC, Charles Church House, Knoll Road, Camberley, Surrey GU15 3TQ

Financial Controller

City c£30,000

Our clients are the London operation of a successful major international company engaged in trading activities throughout the world.

A Financial Controller is to be appointed to control the London accounts function, produce reguler financial and management information, and be responsible for treasury and foreign exchange operations. The business *is fast-moving, and the successful candidate will be* working as an integral part of a small, young team where a shirt sleeve approach is essential. This is an excellent opportunity to join a busy and profitable operation and participate in its growth.

The job would suit a young, qualified and energetic accountant, preferably chartered, ideally with experience in a financial services or other relevant business environment. Experience with computerised accounts systems would be invaluable.

Please apply with a full CV including current salary and daytime telephone number, quoting reference FT00 to:

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Roger Bull, Executive Selection Division
Binder Hamlyn Management Consultants
8 St Bride Street, London EC4A 4DA

Financial Appraisal and Evaluation

New business development in a multinational company.

The Ventures Division of the Costain Group was set up just over a year ago to create work, mainly for companies within the Group's Engineering and Construction sectors, by direct equity participation in feasible projects. The Division consists of a small number of people each with different professional backgrounds. They have individual responsibilities and areas of activity for specific projects but assist one another by providing specialist advice and input where necessary.

Within this framework the Division has created a new and exciting position, primarily to evaluate and advise on the financial and commercial viability of projects, investments and company acquisitions. There will be opportunities to initiate the identification and development of profitable equity investments and to negotiate the Company's involvement on acceptable terms. There will also be responsibility for maintaining the financial records of the Division.

"WORLDWIDE CAPABILITY IN CONTRACTING, MINING, HOUSING & PROPERTY"

Obviously, the Company regards this as a key position in its future development and will, therefore, be looking for candidates with a strong financial background, a further business qualification such as an MBA and/or significant experience in project finance.

The remuneration package will be competitive and will reflect the high level of ability and experience that the jobholder will bring to the Ventures team. The position is based in Woking, Surrey and assistance with relocation will be provided where appropriate.

Please write with full details of your experience and your achievements, explaining how you feel you can contribute to the work of the Ventures Division to Miss V Meehan, Personnel Manager, Richard Costain Limited, 111 Westminster Bridge Road, London SE1 7UE, or alternatively, telephone her on 01-922 8565.

COSTAIN

Richard Costain Limited

Financial Administrator
Solicitors

London W1 around £25,000

Faced with the requirement of an expanding practice our clients, a well established medium sized firm of Solicitors (with a total complement of 80), have created the demanding role of Financial Administrator. Working closely with the Partners the successful applicant will be responsible for all the accounting functions which are computerised and all aspects of administration including the supervision of the personnel function. He/she will consequently be the pivot around which all fee earning activities revolve. Candidates, aged 35-45, should as a matter of preference be professionally qualified but more importantly have gained experience in a similar position and possess the ability to communicate at all levels. Ref: 1472/FT. Write or telephone for an application form or send full details (with daytime telephone number and present salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours).

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BSC (Industry) Ltd is the job creation arm of the British Steel Corporation, providing finance in the form of unsecured and secured loans, share capital and managed workshop premises to start-ups, expanding and relocating companies in the steel closure areas.

Based at the Head Office in Croydon, the successful applicant will manage the financial accounting function of the company.

Reporting to the Finance Director, your prime responsibilities will be:

- preparation of accurate and timely management and financial accounts
- budgets, forecasts and cash flows
- purchase and sales ledgers and investment accounts
- treasury function
- developing computer systems.

You will have wide experience in both financial and management accountancy and *staff supervision*.

Candidates, aged 25 to 35, will be qualified or finalist and educated to degree standard.

Please send full c.v. together with details of your remuneration package, to:-

Mrs D Coles
British Steel Corporation
9 Albert Embankment
London SE1 7SN.

Internal Auditor

with line management potential

Bedfordshire Excellent package negotiable

Norton Telecommunications Limited is the leading independent UK supplier of telecommunications equipment. With the backing of Siemens, one of the world's largest electrical and electronic engineering organisations, we have introduced new accounting, costing and administrative procedures to support our major expansion programme. As a result we can offer an ambitious young Accountant the opportunity to become our first Internal Auditor.

Reporting to the Financial Director, you will be responsible for producing regular reports on the Company's operating efficiency based on your audit findings.

This is an exciting career move for a Chartered or ACMA qualified Accountant who wants to gain industrial experience as a step towards a line management post. Rapid promotion is possible in Norton Telecommunications and the Siemens Group.

Please write with your career details and salary details, or ring for an application form to Mr. P. Merrick, Personnel Manager, Norton Telecommunications Limited, Bilton Way, Luton, Bedfordshire LU1 1UU. Tel. (0582) 454545.

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An opportunity has now arisen within the Head Office of Reuters Europe where the latest technology is used to report on its numerous business and financial activities. It is a sophisticated, but changing and international environment in which highly developed Lotus 1-2-3 applications are used for financial reporting.

As a qualified, or qualifying accountant with well established p.c. skills, you will find there are excellent prospects for career progression both in the UK and elsewhere in Europe.

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ACCOUNTANT

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The successful candidate is likely to be 25+, looking for a career move into his or her second commercial appointment, professionally qualified, computer literate, and capable of communicating well with staff, directors and artists. Specific responsibilities for accounts staff, monthly reporting, contract control, and continued systems development, with board level input to follow.

Salary on a scale £19-23,000. Applications in writing to:

Business Manager
Rough Trade Records Ltd
61 Collier Street
London N1 9BE

by 29th January 1988, for interview early February.

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Since joining forces with the multi-national Elders IXL Group we have embarked on a challenging and fast-moving development plan. This in turn has created new financial roles within the company.

We have opportunities for:

- Management Accountants
- Financial Project Manager
- Financial Planning Manager
- Financial Accountant
- Financial Analysts

COURAGE LTD

Expansion means that there is scope for ambitious ACA, ACMA or ACCA qualified professionals to progress their careers within the company and elsewhere in the Elders Group.

Salaries up to £25,000, depending on experience, will be offered together with an excellent benefits package, which in most cases includes a company car and generous relocation assistance. All posts are based at our new headquarters in Staines.

To apply, send full cv to David Lyon, Personnel Manager, Head Office, Courage Ltd, Anchor Terrace, Southwark Bridge, London SE1 9HS.

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We wish to appoint a Finance Director based in our offices located in Douglas, Isle of Man, who will join a team of three other directors responsible for running the Company on a day-to-day basis.

This is a challenging appointment which calls for good financial and management skills. The requirements are for a qualified accountant with, preferably, experience in a service industry and aged between mid-30s and mid-40s.

Salary is negotiable together with a generous relocation package.

Applications should be sent to;- A. M. Delaney, Wescol House, 43 Worship Street, London EC2A 2LB

HEAD OF FINANCE (DIRECTOR DESIGNATE) WINDSOR c £20,000 PER ANNUM + BONUS + CAR

This is an opportunity for an enthusiastic, commercially aware, qualified accountant to join the senior management team of a small but successful publishing Company.

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The Head of Finance will report to the Managing Director and will be responsible for Company finance, order processing activities and also for the computer systems and for continuing the introduction of new technology into the Company.

The Company is based in attractive modern offices in Windsor Town Centre.

For further details and an application form please contact: Sue Martland, The NFER-NELSON Publishing Company Limited, Darville House, 2 Oxford Road East, WINDSOR, Berks, SL4 1DF Tel: 0735 858961

NFER NELSON

Internal Audit

City **c£25,000+Car**

Our client is pre-eminent in the world of international insurance and reinsurance broking.

The company wish to recruit an internal auditor to join their professional team and participate in the "risk analysis" approach to group financial control.

This position offers the right individual a stepping-stone into the organisation, leading to a choice of excellent career paths.

The ideal candidate will be a recently qualified chartered accountant who has trained with a major international practice, and has the ability to communicate at all levels.

Familiarity with computerised systems is required, and previous insurance audit experience is desirable but not essential.

Interested candidates should telephone:

Diane Forrester on 01-831 2000, or write to her at 39-41 Parker Street, London WC2B 5LH.

MP

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FINANCE DIRECTOR

£27,000 + Car + Bonus + Reloc

West Midlands

Our Client is a well established and internationally respected group of U.K. companies with a turnover of £18m and which manufactures high quality hydraulic systems and components for specialist markets both at home and abroad. The group operates four British manufacturing plants and is itself an autonomous subsidiary of a major U.S. multinational with world turnover exceeding $300 million. Recent growth has been steady with an emphasis on developing niche markets to original equipment manufacturers in construction, mining, materials handling, agricultural and defence industries.

The Finance Director will be expected to make a significant management contribution at both operating and group levels, controlling 4 managers and 25 staff in 4 locations and with total responsibility for the finance and IT functions. In addition to management information, treasury and U.S. reporting, the brief includes control of the continuing development and application of computer systems, including the installation of a major mainframe upgrade. As a key member of the small senior management team, and reporting to the U.K. Managing Director, this is a "hands on" position with emphasis on staff motivation and development. The successful applicant will be expected to contribute to decision-making across the complete range of business activities.

Suitable candidates will be mature and qualified Accountants, aged around 40, with solid manufacturing and computer systems experience who can demonstrate the sound thinking and broad range of business skills required in a senior executive role. The substantial remuneration package includes bonuses, benefits and relocation assistance if required.

Please apply directly to our Advising Consultant John Woodcock at Robert Half, Kensington House, Suffolk Street, Birmingham B1 1LN. Telephone: 021-643 1663, evenings 0386 750962.

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Group Financial Controller

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US $70/80,000 **Antwerp, Belgium**

Our client is an international organisation, principally concerned with tobacco and commodity trading and shipping. The Group has expanded impressively since it was established eleven years ago and turnover is now around $170 millions.

In line with this growth, the financial function is being re-organised and there is now a requirement for a strong financial manager to report to the Group Managing Director. This will be a dynamic head office role with a brief not only to co-ordinate accounting activities worldwide but also to be responsible for all treasury and banking functions including credit lines for outlying operations.

The successful candidate will be appointed to the Group management board.

It is likely that your qualifications will be based on the British system and equivalent to ACA. You should have gained several years' senior management experience in an international, commercial environment. Personal qualities will include ambition and assertiveness with above average energy and commitment.

If you consider that you have the necessary qualities, please write – in confidence – to Nigel Bates FCA, ref. B.34022.

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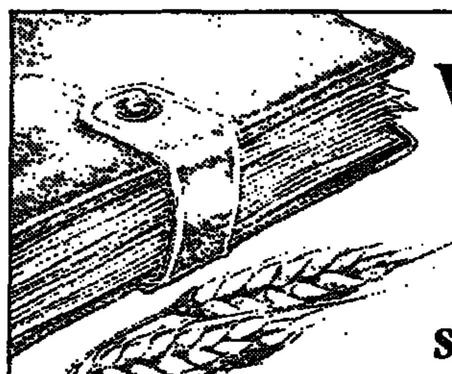

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FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday January 21 1988

AMERICAN HOME PRODUCTS POISED TO TAKE OVER US DRUGS GROUP

Sanofi quits A.H. Robins battle

BY PAUL BETTS IN PARIS AND ANATOLE KALETSKY IN NEW YORK

SANOFI, the fast growing French pharmaceutical company controlled by the Elf Aquitaine oil group, yesterday withdrew its bid for for A.H. Robins, the US drug group, following the emergence of American Home Products as the clear winner in the $3bn bid battle.

The French company said it had decided to pull out of the contest because the stakes for Robins had become too high for Sanofi after AHP raised its offer last week by $100m to $700m. But Sanofi added that it continued to be interested in a US market acquisition.

Robins has been operating under bankruptcy protection from liability claims by 200,000 women over its Dalkon Shield intra-uterine contraceptive.

It had said on Tuesday that the revised bid from AHP worth $3.075bn had been approved not only by the board of Robins, but also by representatives of Dalkon Shield claimants and outside shareholders in the bankruptcy court.

The AHP plan would establish a cash trust fund worth $2.375bn for Dalkon Shield contraceptive claimants and offer Robins shareholders AHP stock worth $700m or about $29 a share at Tuesday's closing price of $72⅞ for AHP stock.

Sanofi had offered to invest $600m in Robins in return for a 58 per cent stake in the company after five years. It had also recently promised better terms to the women seeking $2.48bn in compensation for injury by the Dalkon Shield.

The French group had emerged a few weeks ago as a strong contender in the contest against AHP and Rorer, the other bidder for Robins, after it had reached an agreement with the Robins' board. Sanofi had also indicated as late as last week that it intended to stay in the bid battle.

But after the latest American Home Products offer, Sanofi said yesterday that it was "not in the interest of the company and its shareholders to pursue the contest for the acquisition of Robins on such terms as those made by American Home Products."

Unlike previous offers, the AHP plan was endorsed on Tuesday by spokesmen for two committees representing Dalkon Shield claimants and outside shareholders in the bankruptcy proceedings.

Further legal challenges cannot be ruled out, but these endorsements give the plan a better chance than any previous proposal of being approved by the bankruptcy judge, Mr Robert Merhige, and avoiding subsequent appeals to higher courts.

The key to winning over the Dalkon Shield claimants' committee appears to have been AHP's willingness to put $2.375bn in cash into the proposed trust fund immediately. In the Sanofi offer previously approved by the Robins board, the company would have financed the trust fund over a period of up to five years.

Icahn says Hammer interested in Texaco

By James Buchan in New York

MR CARL ICAHN, the New York corporate takeover specialist who is attempting to drum up a bid for Texaco, said yesterday that Mr Armand Hammer, the 89-year-old oil industry veteran, was interested in the bankrupt oil giant.

Mr Icahn, who has bought heavily into Texaco in the last three months, told the court supervising the company's bankruptcy that he met Mr Hammer, who is chairman of Occidental Petroleum, several weeks ago.

Mr Icahn, who is Texaco's biggest stockholder, said Mr Hammer "had an interest in buying" Texaco or its Canadian subsidiary, Texaco Canada, which is thought to be worth about $2bn. Occidental, which is half the size of Texaco, had no comment yesterday.

Texaco stock rose $1/4 to $38 in morning trading yesterday.

Mr Icahn was petitioning the court for permission to file a plan to lead Texaco out of bankruptcy.

The plan, which seeks to strip the company of protection against takeover, is thought unlikely to be accepted because it is opposed by powerful committees representing Texaco creditors and stockholders, who support the management's own plan.

Bankers Trust jumps to $284m in fourth quarter

BY ANATOLE KALETSKY IN NEW YORK

RECORD PROFITS in the bond and foreign exchange markets boosted Bankers Trust's net earnings by 192 per cent in the fourth quarter, to $284.5m or $3.70 a share. In 1986 Bankers' Trust earned $187.0m or $1.39.

Bankers Trust attributed its results to the "unusual market conditions" in the wake of October's stock market crash.

As a major trader in government and municipal bonds, the bank appears to have taken advantage of the rise in bond prices and currency volatility which followed the market crash. Unlike trading firms in the investment banking business, Bankers Trust had negligible exposure to equity prices.

Trading account profits and commissions soared to $145.5m for the quarter, against $27.5m in the fourth quarter of 1986 and a quarterly average of around $20m in the first nine months of 1987.

Bankers Trust has decided not to add to its reserves against Third World loans. Because of a big provision in the second quarter, the bank's profit for 1987 came to only $1.2m or two cents a share, against $427.9m or $6.01 in 1986.

Smaller US banks reporting yesterday took a more conservative approach to Third World lending and added substantially to their loan loss reserves. Continental Illinois reported a net loss of $235.8m or $2.30 a share, against an income of $43.5m or 16 cents in 1986.

The bank added $200m to its provisions against LDC exposure, bringing its total reserves to 50 per cent of non-trade related LDC lending.

Irving Bank announced a loss of $175.8m in the fourth quarter against a profit of $31m the year before, after adding $250m to its Third World provisions. This brought Irving's reserves to 33 per cent of its non-trade related LDC lending.

First Interstate lost $95m in the fourth quarter against a profit of $84.8m after adding $180m to Third World provisions. Its reserves now totalled 54 per cent of Third World non-trade exposure.

Other major banks to report results include Los Angeles-based Security Pacific, which posted a fourth quarter loss of $39.4m, or 40 cents per share, because of a $350m addition to its provisions for LDC debt.

The loss compares with year ago fourth-quarter earnings of $124.3m, or $1.15 per share. Net credit losses in the quarter totalled $140.3m, including about $55m of charge-offs on country debt, versus net credit losses of $91.7m in the 1986 fourth quarter.

Security Pacific reported a profit for the year of $15.7m, or 1 cent per share, against net earnings of $455.1m, or $4.23 per share, in 1986.

It made $908m in additional loan loss provisions for third world debt in 1987, lifting its loan loss reserve to $1.69bn, or 3.27 per cent of outstanding loans at December 31.

Manufacturers Hanover said its previously announced restructuring would mean a net gain of about $95m a year in 1988 and beyond. The restructuring and other charges total $117m.

On Tuesday it reported a 1987 loss of $1.14bn, which includes the charge and a second quarter reserve for possible credit losses of $1.7bn.

Growth takes Unysis to record

BY RODERICK ORAM IN NEW YORK

UNYSIS, boosted by strong growth in its US computer business, has reported record fourth quarter orders, revenues and profits, cementing its first full year following its creation by the merger of Burroughs and Sperry.

The company "has clearly emerged as a much stronger competitor and a more profitable entity than either of the former companies were individually," said Mr Michael Blumenthal, chairman.

In contrast to International Business Machines which on Tuesday reported slow sales growth in the quarter, Unisys' US commercial orders improved markedly, which continued a quarter-by-quarter acceleration seen throughout the year.

Demand was strong across a wide range of computer and communications equipment. Net profits for the three months ended December were $190.2 or $1.26, compared with a loss of $215.2m or $1.56 a year earlier which reflected heavy restructuring charges following the merger.

Revenues rose to $2.8bn from $2.54bn. Full-year net profit was $471.1m, or $3.15, compared with a loss of $74.5m, or 54 cents, a year earlier which also reflected restructuring charges. Revenues rose to $9.71bn from $7.43bn.

Sperry's performance was included in Unisys' results from July 1 1986. Operating profit margins rose to 14.2 per cent, reflecting better manufacturing efficiency, sharper market focus and accelerated development programmes.

Debt as a percentage of total capital fell 10 percentage points to less than 32 per cent during the year as Unisys paid down $650m of debt. Unisys said it expected earnings to grow at a double-digit rate this year with the help of further cost savings and strong user acceptance of new products.

It plans to double the number of product launches this year compared with last and this should accelerate revenue growth in the second half.

Apple earnings surge in first quarter

BY OUR NEW YORK STAFF

APPLE COMPUTER, benefitting from a greater acceptance of its computers among business users thanks to models introduced last year, has reported surging sales and profits for its first quarter ended January 1.

Net profits doubled to $121.4m, or 92 cents a share, from $58.5m, or 45 cents a year earlier. Two-thirds of the quarter's sales of $1.04bn, up 57 per cent from $662.3m a year earlier, came from products launched during the previous fiscal year.

"Our new products strategy is working," Mr John Sculley, chairman, said. Models with high-quality graphics such as the Macintosh SE have helped Apple carve out a significant niche in desk-top publishing and other corporate uses.

Recent efforts to push further into business markets have included the introduction of new laser printer models and a co-operation agreement with Digital Equipment, a leader in mid-size computers. The companies are aiming for greater ease of use of their machines in networks.

"Sales momentum continued to be strong throughout the quarter," Mr Sculley said. "We experienced comparable sales increase in both our domestic and international markets. These trends indicate that fiscal 1988 is off to a strong start."

US drugs companies post mixed results

By Our New York Staff

AMERICAN HOME Products, the US drugs and household products group, yesterday reported only a modest rise in fourth-quarter net income to $315.2m or $1.47 a share, on almost flat sales of $1.21bn.

The New York-based company, which is losing market share in several established drugs and lacks strong new products, saw net income for the December quarter rise 8 per cent.

Net income for the year was $845.1m or $5.73 a share, against $775.8m or $5.18. Sales were $5.03bn, against $4.93bn.

In contrast, Bristol-Myers, a similar-sized pharmaceuticals group, reported a 14.7 per cent increase in fourth-quarter net income to $174.1m or 61 cents a share. Sales rose 12.9 per cent to $1.36bn.

For the year, net income rose 20.4 per cent to $709.6m or $2.47 a share, sales up 11.7 per cent to $5.4bn.

Mr Richard Gelb, chairman, said profit margins improved for the 15th year in a row.

Domestic sales were up 10 per cent in the year but foreign sales rose 17 per cent.

Meanwhile, Warner-Lambert said its fourth-quarter per share earnings rose 20 per cent against year-earlier levels to 95 cents, while sales rose 12 per cent to 910m.

Mr Joe Williams, chairman, said 1987 sales rose 12 per cent, to $3.5bn from $3.1bn.

Earnings per share rose 17 per cent to $4.15, from $4.18 a year earlier, when a 64 cent special non-recurring gain was included.

He said a recommendation that the quarterly dividend be lifted to 54 cents per share from 45 cents would be made later this month.

The earnings per share rise for 1987 was attributed mainly to continued unit growth and the strength of major currencies against the dollar.

Stanadyne rejects bid attempt from Emhart

BY OUR NEW YORK STAFF

STANADYNE, a Connecticut-based manufacturer of precision metal products, yesterday rejected as inadequate a $600m or $40 a share takeover offer from Emhart, the diversified industrial group.

It intends instead to explore other alternatives such as the sale of the company to a third party, a leveraged buyout, or recapitalisation. "Numerous" parties had already approached the company, Stanadyne said. Its shares soared $3¾ to $43¾ following the announcement.

Mr Crane Hauser, a Stanadyne director, said he declined to tender to Emhart 4.8m common and class A Stanadyne shares, some 33.2 per cent of the total, held in three trusts. He has the power to vote and the power to veto the sale of the shares.

Stanadyne also reported a leap in fourth quarter profits to $14.88m or $1.03 a share, from $2.4m or 17 cents a year earlier on sales of $137.1m compared with $120m. Full-year net was $41.9m or $2.90 a share against $21.1m or $1.47 on sales of $543.6m compared with $492.8m.

The company, which is a leader in plumbing products, said all segments contributed to the improved results. An automotive parts business had detracted from its earlier performance.

Nova stages turnround

NOVA, the large Western Canadian energy and petrochemicals group, has completed a major turnround in performance mainly due to strength in world polyethylene prices, writes Robert Gibbens in Montreal.

Fourth-quarter net profit was C$63.5m (US$41.8m) or 22 cents a share, up from C$1.4m after special items a year earlier. For all of 1987, Nova had net profits of C$179.1m or 70 cents a share, up from C$100.2m or 18 cents in 1986.

De Benedetti bid set for approval

By William Dawkins in Brussels

BELGIUM'S BANKING COMMISSION, which supervises the country's takeover code, was last night expected to give its formal clearance for Mr Carlo De Benedetti's partial bid for Société Générale de Belgique.

The approval was widely expected to be a formality. If agreed it would remove one of Société Générale's last hopes of fighting off the advances of Cerus, Mr De Benedetti's French financial holding company.

Mr De Benedetti wants to raise to around 25 per cent his 18.6 per cent stake in the company.

Rockwell improves to $192.9m

By Our New York Staff

ROCKWELL International has reported higher first-quarter earnings with improved profits from electronics and automotive operations offsetting the phasing out of its huge programme to build B-1B bombers for the US air force.

The results indicate a successful transition from dependence on the bomber project to a wider range of businesses, the company said. It expressed optimism for higher earnings in 1988.

The order backlog rose 36 per cent to $14.5bn with the B-1B accounting for only $1.5bn against $3.5bn in 1986. The order book "represents our strong position in several important commercial businesses and our continuing major position in aerospace and defence electronics," Mr Donald Beall, president, said.

Net profits for the first quarter ended December were $192.9m, or 71 cents a share, against $149.4m, or 53 cents, a year earlier. The latest figure included a gain of 18 cents a share from a tax adjustment on B1-B profits.

Sales dipped to $2.68bn from $2.87bn, reflecting a fall in aircraft revenues to $404m from $853m.

Excluding the tax adjustment, profits were comparable with the previous year's even though aerospace operating profits fell to $176.7m from $136.2m, Mr Beall noted.

Bowater Inc doubles net income as sales surge

BY OUR NEW YORK STAFF

BOWATER INC, the largest US newsprint maker, reported a doubling of net income in the December quarter thanks to strong demand and higher prices for its main products.

Bowater, which was spun off from its UK parent in 1984, said that fourth-quarter net income was $29.6m or 77 cents a fully diluted share, against $13.9m or 43 cents a share in the previous corresponding period.

Sales during the quarter jumped 36.5 per cent, from $255.8m to $349.2m.

For the year, which produced record results for Bowater as for other US paper companies, net income was $81.1m or $2.12 a share, against $49.4m or $1.49 in 1986.

Total sales for the period advanced by over 33 per cent to $1.23bn.

Mr A. P. Gammie, chairman, said: "We enter 1988 with strong markets, higher prices, costs under good control and excellent prospects for the year ahead."

The strong results last year were helped by the weaker dollar and price increases in newsprint, coated paper and pulp. Sales from computer papers more than doubled to $67.3m through the purchase of Star Forms.

The 1986 net earnings include losses on retirement of fixed assets of $81,000 in the fourth quarter and $7.6m in the year.

Results include Star Forms from late December 1986.

FCC rejects Murdoch request

BY OUR NEW YORK STAFF

THE FEDERAL Communications Commission has rejected Mr Rupert Murdoch's request for a waiver of US laws which require him to sell either his newspapers or television stations in New York and Boston.

The FCC's unanimous decision was widely expected after a vote in Congress just before Christmas to strengthen enforcement of the laws on newspaper and television cross-ownership.

A 13-year-old FCC regulation designed to prevent concentration of media ownership bans any person or company from owning a newspaper and television station in the same market.

Mr Murdoch's News America Corporation, which owns the New York Post and Boston Herald, has operated outside this regulation since 1986, when it acquired television stations in both cities.

Originally the FCC granted News America temporary waivers until 1988 to give him to time to find buyers for the two newspapers.

He was expected to be treated leniently by the FCC, not only because he has considerable influence with the Reagan Administration but also because the current FCC has favoured deregulation of the media in general.

However, in an unexpected move just before the Christmas adjournment, Congress added an amendment to its budget resolution, prohibiting the FCC from granting or extending any cross-ownership waivers. Tuesday's FCC decision was all but inevitable in the light of this vote.

Mr Murdoch may now challenge the FCC decision in the US Appeals Court, on the grounds that the recent Congressional action was unconstitutional.

But failing a successful appeal, he will be forced to sell one of his New York media properties by March 6 and one of his Boston organs by June 30. Mr Murdoch has made clear that he would wish to keep his New York TV station and is therefore likely to sell or close the loss-making Post.

Sharp advance at revamped Honeywell

BY OUR NEW YORK STAFF

HONEYWELL has reaped the rewards of an extensive restructuring with a strong upturn in profits in all its manufacturing divisions, which span controls, aerospace and defence equipment.

It reported net profits for the fourth quarter ended December 31 of $86.1m or $1.99 a share, compared with a loss from continuing operations of $97.5m or $2.17 a year earlier.

Write-offs for restructuring made the previous period's final loss $492.8m or $10.94.

Revenues for the quarter rose to $1.99bn from $1.62bn. Full-year net profits were $253.7m or $5.75 a share, compared with $12.9m or 28 cents from continuing operations.

Restructuring costs made the final 1986 loss $398.1m or $8.83 a share. Revenues for 1987 rose to $6.68bn from $5.38bn.

"Last year was a turning point," said Mr James Renier, president and chief executive.

"We now enter 1988 with good momentum for continued growth and another year of substantial improvement in earnings."

The space and aviation division's operating profits rose to $119m last year from $85m. Revenues of $1.9bn against $1.02bn would have been unchanged if Honeywell had not taken over Unisys' Sperry Aerospace unit.

"A major achievement of last year was the smooth integration of Sperry and Honeywell operations," Mr Renier said.

Defence and marine systems contributed $103m of operating profit against $93m a year ago on sales of $1.21bn compared with $1.02bn.

Orders for defence systems declined from 1986 levels, but rose in marine systems, mainly lightweight torpedoes.

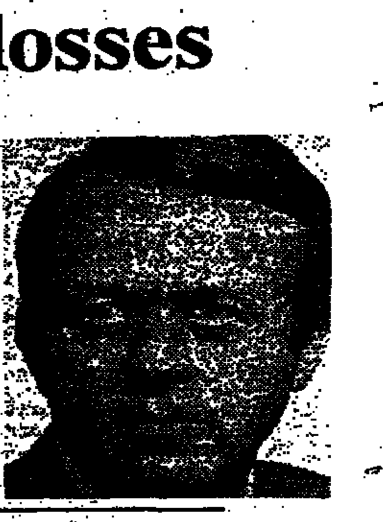
Industrial automation and controls generated operating profits of $141m compared with $69m on sales of $1.24bn against $1.21bn, thanks to revitalised product lines and greater market penetration.

Last year's operating profit from home and building automation and controls rose to $227m from $174m a year earlier on sales of $1.83bn against $1.67bn. Orders rose modestly.

The unit benefited from better margins and growth strategies designed to offset the continued softness in US commercial construction.

DnC chief resigns over NKr1.5bn losses

BY KAREN FOSSLI IN OSLO



THE CHIEF executive of Den norske Creditbank (DnC), Mr Leif Terje Loeddesoel, last night resigned following the bank's disclosure of huge losses for 1987.

The bank, the biggest in Norway, said provisional figures showed that DnC would incur a loss of NKr1.5bn ($234.7m) for last year, compared with net profits in 1986 of NKr327m.

Losses on securities business totalled NKr800m, the bank said. Losses and provisions for losses on loans and guarantees totalling NKr1.2bn would be charged against group accounts.

DnC, which has had to make heavy provisions in recent years against oil and offshore business, will not pay a dividend for 1987. The bank did not make a cash payment in 1986, opting instead to distribute bonus shares.

Earlier this year the bank looked like heading for a recovery. For the first four months it staged a slight upturn by NKr11m to NKr140m in the comparable period in 1985.

By the end of the eight-month period DnC remained on an upward track. It recorded net profits of NKr300m against NKr203m in the same period in 1986 in spite of declaring unsatisfactory results in the foreign exchange and securities sectors.

However, by the time the oil price stabilised at a higher level to about $18 per barrel, and DnC looked like meeting its goals, the world stock market crash set in.

The bank then found itself at the centre of a criminal investigation of a former trader, Mr Philippe Hecker, who the bank was forced to suspend for unauthorised trading. Controversy surrounding this affair and the preliminary estimates of losses in share transactions, prompted Mr Loeddesoel to offer his resignation last November.

The DnC board refused to take up Mr Loeddesoel's offer in November, but yesterday accepted a letter of resignation.

DnC has been heavily criticised for its strategy of expansion by observers who claim that it was gambling in its attempts at a rapid build up of foreign business.

DnC's board has appointed Mr Harald Arnkvaern as acting managing director and CEO on a temporary basis until a permanent replacement can be found.

Volvo final quarter 25% ahead

By Sara Webb in Stockholm

VOLVO, the Swedish motor, energy and foods group, has increased final-quarter profits for 1987 by 25 per cent and has shown its strongest full-year profit to date.

Though profits from the passenger car division were affected by the fall in the dollar, this was offset by the strong performance and "significantly higher profits" from the truck and food business areas, according to Mr Pehr Gyllenhammar, chief executive officer.

Operating profit in the final quarter reached SKr1.69bn ($280.7m), up 25 per cent on the corresponding period in 1986. Volvo said that group sales during the final quarter had been "very strong" and that production capacity had reached 100 per cent. The board has proposed raising the dividend from SKr9.25 to SKr10.5.

For the full year, operating profit rose by 5 per cent to SKr6.81bn.

Profit, after financial items, increased by 23 per cent to SKr8.71bn, and was boosted by the sale for US$393m of Volvo's 49.6 per cent holding in Hamilton Oil, the US petroleum group, to Broken Hill Proprietary of Australia.

The deal, which was agreed last October, gave Volvo a capital gain of SKr1.15bn.

Group sales rose by 10 per cent to SKr92.4bn, though Volvo said that the lower dollar had wiped about SKr4bn off the total.

Passenger car sales rose by 7 per cent to SKr38.6bn last year.

Truck sales increased by 10 per cent to SKr17.9bn and bus sales rose by 14 per cent to SKr2bn.

In the food division, sales rose by 10 per cent to SKr9.5bn, and Volvo said that the division is now showing a strong performance.

Mr Gyllenhammar indicated at the end of last year that the food division is one area *Volvo intends to build up through acquisitions,* probably overseas.

Volvo also plans to invest about SKr5bn this year in product development, as in 1987, and a further SKr5bn in production facilities.

German state banks to merge

BY HAIG SIMONIAN IN FRANKFURT

TWO BIG West German banks, Badische Kommunale Landesbank (Bakola), based in Mannheim, and Landesbank Stuttgart, based in Stuttgart, are to merge in what may be the start of the long-expected rationalisation of the German landesbanken sector.

Such banks, which are usually co-owned by land (state) governments and regional savings bank groups, are the umbrella organisations for the local savings banks which play a leading role in retail banking services in Germany.

Baden-Württemberg, the southern state in which the two banks are based, is unique in having two landesbanken rather than one as is normally the case. Moreover, the two banks are exclusively owned by savings bank groups, with no public sector participation.

The decision to merge follows "intensive" discussions since *last October, according to the* two banks. A target date for the union is January 1 next year, though the merger has to be approved by the respective savings bank organisations, which are to be consulted before the middle of this year.

As a result of the merger, the two banks say they hope to improve their services to local savings banks, as well as become more competitive in international banking business and securities. In recent years, a number of smaller landesbanken have been at a growing disadvantage as a result of new demands from their customers and greater competition from the country's commercial banks.

Landesbank Stuttgart is Germany's 16th biggest bank, with total assets of DM42bn ($25bn), according to preliminary figures for 1987. Bakola ranks 24th, with total assets last year of DM27bn.

The merged bank will probably form Germany's fifth largest landesbank, with total assets of around DM70bn, just trailing Hessische Landesbank.

Nixdorf sales show 13% expansion

By Our Frankfurt Staff

SALES AT Nixdorf, the West German computer group, rose by more than 13 per cent to *about DM5.1bn ($3.2bn)* last year, against DM4.5bn in 1986, confirming the upward trend reported at the half-year stage in July.

Net earnings figures are not likely to be released until April, but analysts believe Nixdorf's profits have increased faster than turnover. In 1986, net profits rose by 29 per cent to DM222m.

The company said adverse currency movements had again affected growth. Nevertheless, it said new orders had risen again. Nixdorf said the value of new orders at the start of this year was equivalent to that of a year's revenue, "positioning the company very strongly for sustained expansion."

According to analysts, Nixdorf's order level had climbed about 17 per cent by the end of November compared with the corresponding period last year.

Among new orders received are believed to be a £40m ($70m) deal with Tesco, the UK supermarket chain, as well as a substantial sale of computers to Canada.

Thyssen steel unit increases earnings

BY OUR FINANCIAL STAFF

THYSSEN EDELSTAHLWERKE, the special steels unit within the West German Krupp group, has increased profits for last year and said business levels so far this year are holding steady.

Mr Karlheinz Rösener, the management board chairman, said pre-tax profits rose to DM153m ($91.6m) in the year ended September, 1987 from a previous DM47m. Profits transferred to the Thyssen group were held at DM4m to improve capital ratios.

Turnover fell to DM3.3bn from DM3.7bn, mainly because of the weakness of the dollar. Domestic turnover eased to DM2.67bn from DM3.0bn.

Mr Rösener said Thyssen Edelstahl had remained profitable in the first three months of 1987-88, although he stressed that prices had been under upward pressure. Important raw materials such as nickel had become considerably more expensive, he said.

Personnel fell worldwide by 632 to 13,921 last year and 350 more jobs would have to go in the next two years because of further restructuring. Capital investment this year was set at DM170m from DM136m.

Paris advances FFr500m for Thomson deal

By Paul Betts in Paris

THE FRENCH Government has advanced FFr500m ($88.6m) to Thomson, as part of a FFr1bn capital grant it agreed to make to the state-controlled electronics group to help finance its recent acquisition of RCA's consumer electronics business from General Electric of the US.

Thomson finalised its agreement with GE at the end of last year, involving an asset swap, *with the French group shedding* its medical equipment operation to GE in exchange for the RCA consumer electronics business.

However, Thomson must also make a cash payment of between $600m and $700m to GE as part of the deal.

The last time Thomson received a capital endowment from the Government was in 1986 involving FFr400m. The previous year it received FFr1bn from the state.

Thomson also announced the acquisition by its Thomson CSF defence and professional electronics subsidiary of Wilcox Electrics, a Kansas City unit of the Northrop Corporation of the US which specialises in civil aircraft navigation and landing equipment.

The purchase is designed to strengthen Thomson CSF's position in the air traffic control *market.* The company, however, declined to disclose the price of the deal. Wilcox has sales of $35m and employs 350 people.

Spanish banks' London branch

SPANISH SAVINGS banks, which account for 40 per cent of banking assets in Spain, have clubbed together to open their first foreign branch, in London, **writes David Lascelles.**

Mr Miguel Allue, director general of CECA, the Spanish savings bank confederation, said the branch would offer foreign exchange and banking services on behalf of 77 Spanish institutions which were prohibited by law from having *direct representation abroad.*

● Four Spanish financial groups are jointly setting up a venture capital company, Advent Espana, with Advent International of the US, which will invest in fast-growing companies in Spain and abroad.

Equiticorp loses A$9m on share disposals

BY BRUCE JACQUES IN SYDNEY

MR ALLAN HAWKINS'S aggressive Equiticorp Holdings Group appears to have crystallised capital losses of at least A$9m (US$6.4m) by staging two retreats. In the process, he has fuelled a growing controversy surrounding Mr Larry Adler's exit last week from Cumberland Credit Corporation, the unsuccessful cashbox company.

Mr Hawkins disclosed yesterday he had sold his 12.05 per cent stake in Cumberland Credit and his 9.6 per cent interest in the fledgling Advance Bank Australia.

The Auckland-based entrepreneur, who surprised markets early this year by reaching agreement with the UK-based Redland over a carve-up of the Monier building products group, said the share sales reflected a strategy of concentrating on core businesses.

Equiticorp sold its Cumberland shares at 68 cents each, about 20 cents less than its entry price, probably yielding a loss of around A$4m. The Advance Bank interest was accumulated last year at around A$3 a share and the shares firmed 15 cents to A$2.35, yesterday, indicating a loss of about A$5m.

The Cumberland sale means that about 50m of the company's shares have changed hands in the past four trading days.

The sell-off follows the sale by Mr Adler of his 20 per cent stake in the company to the Sydney gold entrepreneur, Mr Ian Joye, for about A$1 a share. Mr Adler's flagship company, FAI Insurances, floated Cumberland near the peak of the bull market last year.

The FAI sale has caused considerable wrath among investors who bought into the company because of Mr Adler's presence. Equitilink, a major Australian fund manager, immediately dumped its 5 per cent Cumberland shareholding, making plain its views on Mr Adler's move.

The remaining major Cumberland shareholder is Mr Peter Abeles's TNT Group, with just over 10 per cent. The company has said that its shareholding is under review. It is an unlikely buyer of the Hawkins parcel, because such a purchase would breach the 20 per cent threshold at which a full bid would be required under Australian securities law.

Mr Hawkins said yesterday he did not know who had bought his shares in either Cumberland or Advance. But he said his group would now concentrate on the "sound industrial base" it had developed through its Feltex and Monier operations.

Mixed results at Japanese builders

By Ian Rodger in Tokyo

POOR RETURNS from the investment of surplus cash was one of the causes of a 25 per cent slump in the pre-tax profits of Mitsui Construction to Y1.9bn ($14.8m) in the six months to November.

Many Japanese companies invested heavily in the stock market last year and the negative effects on profits of last October's slump in share prices is expected to start showing up in income statements.

Mitsui Construction said its results were also affected by a decline in government contracts. Group sales rose by 3.4 per cent to Y138.5bn. The company expects profits to improve in the second half.

It has forecast a pre-tax profit of Y5.8bn for the 10 months to March 31, its new fiscal year end, a large increase on the profit of Y3.3bn for the previous 12-month period.

Meanwhile, Hasegawa Komuten, the leading builder of condominiums in Japan, has reported a 20.2 per cent rise in pre-tax profits to Y11.5bn for the six months to November 30. Condominium sales were up by 14.8 per cent to Y159.9bn, thanks to Japan's booming housing market.

Hasegawa is also changing its year end to March 31, and expects its pre-tax profit for the 16-month period to reach Y21bn on sales of Y280bn.

●Kenwood, the Japanese audio equipment maker, says parent company net profit will reach Y1bn in the year ending November 30, 1988, up 7 per cent from a year earlier. The company also forecast 1987/88 sales of Y130bn, up by 7.2 per cent. The company will maintain a Y5 dividend in 1987/88.

Hooker amends offer for Alabama fashion chain

BY OUR FINANCIAL STAFF

PARISIAN, the 16-store fashion chain based in Birmingham, Alabama, says Hooker Corporation, the Australian real estate developer, has proposed that its planned purchase price of Parisian be cut to US$30.65 per share, from $33.65.

The change was requested by Hooker and agreed to by the major shareholders, the company said. In exchange, Hooker would eliminate certain conditions Parisian would have had to meet for the deal to become effective.

The company adds that the Australian group has also proposed an extension of the termination date of the merger agreement to 60 days, following the mailing of definitive proxy materials to shareholders, or September 30, whichever is earlier.

Parisian said a special committee of its board is expected to meet later this week to consider the proposal.

It said it has agreed to an interim extension of the merger agreement termination date to April 1 from March 1. Parisian said, if the new proposals were accepted, the merger would be expected to close in the second quarter of 1988.

IEL to scrap pesticides complex

By R C Murthy in Bombay

IEL, the Indian subsidiary of Imperial Chemical Industries of the UK, has decided to scrap its pesticides complex in Bombay.

The decision follows the disaster two years ago at Union Carbide India's pesticides plant in Bhopal, where more than 2,000 people died and several thousands were injured.

IEL, which produces chemical fertilisers, explosives, synthetic fibres and inorganic chemicals and pharmaceuticals, has been making such pesticides as Gramaxone and Cyphermethrin at the Bombay plant.

The company said it does not want to take any chances and plans to build a modern chemical complex at Thane, an industrial suburb some 35km from Bombay.

Lower sales at Von Roll

BY JOHN WICKS IN ZURICH

VON ROLL, Switzerland's leading steel company, expects group sales to have fallen by 1 per cent over last year to under SFr1.33bn ($964.8m).

The parent company says that this decline was the result of the higher Swiss franc, particularly in terms of the US dollar. Had exchange rates remained at 1986 levels, turnover would have been some SFr47m higher than the actual figure, or 2 per cent up over the year.

Despite the currency situation, Von Roll says new order value improved slightly last year, from SFr1.34bn to SFr1.36bn.

Although Von Roll has been faced with considerable restructuring costs, the company says its cashflow will have been rather higher than the previous year's SFr76m, with group earnings "of about the same order" as the SFr26m booked in 1986.

Peter Montagnon on a cheaper form of export finance than conventional credits

Forfaiters undercut government agencies

THIS MONTH'S decision by the Organisation for Economic Cooperation and Development to increase minimum rates on official export credits by 60 basis points across the board will give a new lease of life to the à forfait market, bankers and traders believe.

For sales to better risk countries, forfaiting, which involves the discounting of medium-term notes into a secondary market, has suddenly become a cheaper form of export finance than conventional export credits. As a result, leading players say they are gearing up for a further private sector challenge to the share of the export finance market held by government-backed export credit agencies.

The timing is appropriate, they say, because there are many other reasons why forfaiting is slowly becoming more attractive. Faced with a generally more restrictive attitude by profit-conscious export credit agencies, such as Britain's ECGD and CoFace of France, exporters have come to appreciate the way in which à forfait finance can be arranged with the minimum of bureaucractic fuss.

There are no local content requirements of the type imposed by the offical agencies. Forfaiters can provide up to 100 per cent of the necessary finance while agencies are usually confined to 85 per cent. Unlike the official export credit market, forfaiters will also finance the sale of second-hand goods.

A further push may have come from the accession of Greece, Spain and Portugal to the EC, moves which rendered them ineligible for subsidised export credits from other European countries and forced would-be exporters to look for other forms of finance.

The interest shown in forfaiting by UK exporters is growing. Mr Jack Wilson, chief executive of London Forfaiting, reckons that one in three of the new deals handled by his company last year originated from a British exporter. Mr Ian Guild, chief executive of Midland Bank Aval, another market leader, says his experience was similar.

All this has taken forfaiting a long way from its origins as a mechanism for financing German exports to Eastern Europe, but there are changes, too, on the other side of the equation.

The debt crisis has increased the appetite of banks for tradeable assets. Many have seen how trade-related debts have been serviced by countries in debt difficulty, while more conventional balance of payments lending has not. As a result, there is an increasing demand from bank investors for à forfait paper.

In the midst of all this euphoria, however, comes a cautionary note from Switzerland. Mr Charles Gmuer, managing director of Finanz AG, the Credit Suisse forfaiting subsidiary, says the market is becoming overcrowded.

As a rough rule of thumb, the market finances only a quarter of 1 per cent of world trade, he says, and that has not changed dramatically. "The golden days are over. When we were two, six or 12, we all made money. But the cake remains always the same." His worry is that too many banks are being enticed into the market by projections of a boom, especially now that they are short of conventional export credit business, and that this will spoil things for the established players.

In fact two leading players have recently decided to withdraw or wind down their operations. One is Hungarian International Bank, an early player in London where Mr Wilson made his name and which recently lost its forfaiting director, Mr Raphael Preteceille, to London Forfaiting. Another is Den norske Creditbank which, other participants say, became reluctant to take on the interest rate risks involved.

One of the features of the à forfait market, which is clearly of a hangover from its Central European origins, is that it deals exclusively in fixed-rate finance. The high levels of profitability of the early 1980s were in large measure a reflection of the decline in interest rates, but since last year that has changed.

Management of interest risk is now just as important as management of country risk, if not more so, Mr Wilson argues. He says the increase in capital which will follow from London Forfaiting's planned share flotation on the Unlisted Securities Market next month should create scope for more fixed-rate borrowings to match its book. Mr Guild says Midaval has built up a large interest provision account to satisfy its parent, Midland Bank, that it can cope with interest rate risks.

The point, they argue, is that experienced players have the edge over newcomers in dealing with tough market conditions. That should put them in good stead to handle an expansion of business which they are sure is coming, even if market conditions for the actual sale of paper become more difficult.

An indication that some others take this projection seriously comes from the fact that even export credit agencies, like the ECGD, are still looking at ways of introducing their own guarantees to the à forfait market as a means of developing their own business.

One problem for everybody, however, is that there are no reliable statistics to show just how fast the market is really growing. A study by the Organisation for Economic Cooperation and Development last year suggested that the total size of the market was around $20bn. Mr Guild says outstandings are growing by about $3bn or 15 per cent a year, but the OECD figures also showed the share of East European business (which is dominated by credits to the Soviet Union and Czechoslovakia) was steady at around a third of the total.

This could give the lie to suggestions that the market is turning its attention to new credits carrying a better rating than heretofore. On the other hand, Mr Stathis Papoutes, managing director of London Forfaiting, points out that his company is now handling a wider range of transactions — recently including a Swedish hotel development in Cyprus — which shows that the market can finance projects as well as traditional sales of capital goods.

Mr Guild says business handled by Midaval last year covered no fewer than 60 different countries. Exporters are increasingly aware of the market's potential, he says, even in the US, where commercial banks have largely deserted the conventional export finance arena. "We're only seeing the tip of the iceberg in the US. It's been very slow, but its beginning to pay off."

Ian Guild (right), chief executive of Midland Bank Aval, and Jack Wilson, chief executive of London Forfaiting

GMAC issues seven-year bond with debt warrants

BY CLARE PEARSON

"JUST WHAT the market wants" was how dealers described yesterday's $200m bond for General Motors Acceptance Corporation, aimed at tapping retail demand for short-dated paper for corporate borrowers.

An issue earlier this week for Nippon Telegraph and Telephone had proved that confidence in dollar paper is now strong enough, in the wake of last Friday's encouraging US trade deficit figures, for the market to absorb even seven-year bonds for the best quality borrowers. A further deal of this maturity with a Japanese government guarantee is rumoured.

However, dealers believe most cash-laden Continental investors would still prefer to invest in shorter-dated deals, and they have traditionally been buyers of issues by US corporate names.

Morgan Stanley International's three-year 8¾ per cent bond for GMAC had the added spice of being attractively priced at 101⅛, to give an initial yield spread over the US Treasury curve of about 85 basis points. This tightened during the day as the bond traded at less 1⅛ bid, against 1⅞ per cent fees.

On the other hand, dealers thought the 200,000 debt warrants that accompanied GMAC's bond were probably stretching investors' confidence in the dollar market too far.

These were priced at $16⅛ to buy an 8¾ per cent seven-year bond at par. At these levels, rates on seven-year bonds would have to go down by 1.20 percentage points before the investor made any money at all, dealers said. Co-managers of the bond were not being asked to underwrite them.

Lack of supply of Eurodollar bonds was meanwhile reflected in the secondary market yesterday. Yield margins over US Treasury bonds tightened as the Euro sector lagged falls in the US government market triggered by an easier dollar.

INTERNATIONAL BONDS

The Euroyen market was still brimming with rumours of an imminent issue for a sovereign borrower. Yesterday it was Austria that was tipped, and there was talk of a Y30bn 5¼ per cent 10-year issue with an above-par pricing. This encouraged seasoned bonds to shed about ⅛ point in price.

Japanese equity warrants bonds, postponed after last October's stockmarket crash, continued to be brought to the market. Yesterday's offerings were a $100m deal for Nippon Sheet Glass and a $70m bond for Optec Dai-Ichi Denko, the fine wire manufacturer.

Both five-year deals bore the indicated 5 per cent coupons that have become standard on the latest crop of bonds. But dealers noted borrowers' pressure to cut coupons was likely to intensify as these bonds, like earlier ones, traded over par. Nippon Sheet Glass' deal was co-led by Daiwa Europe and Yamaichi International (Europe) which was also lead manager for Optec Dai-Ichi Denko's bond.

The first equity-linked issue in the Swiss franc foreign bond market since the stockmarket crash is expected to emerge today. This, a convertible, will be for TEC Electronics, the sales arm of Tokyo Electric.

Banca della Svizzera Italiana, the lead-manager, said it suggested to the borrower a SFr80m five-year deal with a 1¼ per cent indicated coupon and a put option after 2½ years to give a yield of about 3½ per cent.

Swiss franc foreign bonds posted gains of as much as ½ point in fairly active trading. Shorter-dated bonds were still in most demand. A SFr100m 5¼ per cent bond, due in 1992, for Occidental Petroleum closed its first day's trading 1⅛ points above its par issue price.

Fresh doubts about the stability of the dollar fuelled further price rises in domestic D-Mark bonds, with longer-dated bonds gaining up to 55 basis points yesterday.

As a sign of foreign buying of government bonds, dealers said the yield differential between these and bonds for the Federal Post Office, and the Federal Railways, had widened by nearly 10 basis points since the end of last week.

D-Mark Eurobonds gained about ¼ point in price in quite good turnover.

● Morgan Stanley has launched a $250m 30-year 9⅞ per cent bond for BP America, guaranteed by British Petroleum, in the US domestic market. The callable bond was priced at 98.3 to give an initial yield margin over the comparable US Treasury bond to 125 basis points.

Dutch state loan meets strong demand

BY LAURA RAUN IN AMSTERDAM

THE NETHERLANDS' new 6.25 per cent, six-year state tender of bonds has attracted Fl 7.2bn ($3.82bn) from investors. Demand from abroad was especially strong – despite the fact that Dutch interest rates have been falling and may be cut again today by the authorities.

Many market participants expect the Dutch central bank to trim the discount rate by another 0.25 per cent today in a determined effort to bring down money market rates and moderate the guilder's strength against the Deutsche Mark.

The central bank has already reduced the discount rate four times in the past three months; its present 3.5 per cent is the lowest in a decade save for a brief period in 1983.

The central bank's policy is being interpreted in Amsterdam as a significant move towards greater independence from West German monetary policy. The Netherlands has lowered its discount rate without any parallel move by the Bundesbank – nearly erasing in the process the yield premium of guilder paper over D-Mark paper.

Nevertheless, the guilder remains firm against the D-Mark because the Dutch central bank has intervened relatively little in the foreign exchange market in support of the dollar, although the Bundesbank has flooded the market with D-Marks.

West Germany, among other European countries, is believed to be tiring of the Netherlands' "beggar thy neighbour" policy of intervening only modestly, while benefiting from a strong currency and falling interest rates.

If the Netherlands central bank decides against lowering the discount rate again, it is widely expected by analysts in Amsterdam to take action tomorrow to trim the special advance rate – the central bank's basic rate for lending to the money market. This now stands at 4.2 per cent.

Some 45 per cent of the subscriptions to the latest state loan came from abroad, compared with around 25 per cent in the past. The signs are that many foreign investors are selling D-Mark bonds in order to buy guilder paper.

A further 49 per cent of the bond issue was bought up by Dutch banks and institutional investors.

The new bond issue is the third largest in Dutch history. Its initial price, which was considered on the high side, slipped by 0.05 to 100.65 yesterday, the first day of trading.

Revolving credit for SAS

By Stephen Fidler, Euromarkets Correspondent

SCANDINAVIAN AIRLINE Systems has asked J P Morgan to arrange a $300m seven-year revolving credit.

The financing, drawable in a number of currencies, carries a facility fee – payable whether or not it is drawn – of 4 basis points for the first two years, 5 basis points for the next three, and 6 basis points for the final two.

There is a margin of 5 basis points if less than half is drawn and of 10 basis points if more than half is drawn.

The financing, to be used for "general corporate purposes," is unconnected with the contract for the purchase of nine Boeing 767 aircraft announced this week by the airline, which is roughly half owned by the governments of Sweden, Denmark and Norway and half publicly-held.

Syndication of the financing among a small group of international banks is to start shortly.

● Thailand has mandated three banks to raise a $300m, five-year revolving credit facility, Reuter reports from Hong Kong.

Citicorp International, Mitsui Finance Asia and Deutsche Bank (Asia) will arrange the facility, which will allow Thailand to draw short-term advances. Terms of the credit, which had been expected as a refinancing of previously arranged credits, were not immediately available.

Japanese pension fund deregulation

THE JAPANESE Health and Welfare Ministry is considering allowing corporate pension institutions greater freedom to manage their own funds, Reuter reports from Tokyo.

The move, which had been widely expected, would deprive trust bank and life insurance companies of their exclusive right to manage such funds, which totalled Y12,600bn ($98.02bn) on December 31. City (commercial) banks and securities firms have been seeking permission to enter the profitable field through their investment advisory firms.

Politicians, trust banks and life insurers are discussing the possible end of exclusive rights to manage pension funds and are likely to reach a consensus in early February, according to Tokyo trust bank executives.

Bank analysts say Ministry of Finance rules setting investment in shares at a maximum 30 per cent of each fund, in real estate at 20 per cent and in foreign securities at 10 per cent need to be reviewed.

Officials expect draft changes to the law on corporate pension management to be ready to be presented to the Diet (parliament) in late March.

A total of 7.06m workers now contribute to 1,091 company pension funds. These were introduced in 1966 to supplement national pensions and enjoy preferential tax rates.

Citicorp plans Portuguese flotation

BY DIANA SMITH IN LISBON

CITIBANK has become the second US bank to seek full incorporation in Portugal in order to offer part of its local capital on the stock exchange.

Following Manufacturers Hanover Trust's successful public offer for sale of 20 per cent of its local capital in December, Citibank has announced plans to become a fully-incorporated bank in Portugal, as opposed to a branch, and to make a public offer for sale of 600,000 shares – about 20 per cent of its local capital.

By June this year, Citibank plans to double its local capital to Esc6bn ($15m).

According to Citibank, this is the first time – outside the US – that it has sold part of the capital of a local subsidiary to the public. To be able to go to the capital market under the terms of US law, the branch had to be transformed, with the approval of the Portuguese authorities, into a fully-incorporated bank.

Like other foreign banks newly installed in Portugal, Citibank has opened up an Oporto branch to take advantage of the growing weight of that city's strong private industrial sector.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on January 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	94⅛	94⅜	+0⅛	+1	9.17
All Nippon Air 9⅝ 97	100	†95½	96	−0⅛	+1⅛	10.07
American Brands 8⅞ 92	150	95⅝	96⅛	−2	−0⅛	10.03
A/S Eksportfinans 7⅞ 93	100	†93¼	93¾	−0⅛	+1½	9.09
A/S Eksportfinans 7¼ 92	150	94⅜	94⅞	+0⅛	+1	8.94
Barc. Bk. Fin. 10¼ 89	200	†102⅝	103⅛	−0⅛	+0¼	8.53
Belgium 9⅛ 92	400	†100⅝	100⅞	0	+1	8.93
British Telecom 7⅞ 96	250	88½	89	0	+2	9.58
British Telecom 8⅞ 94	150	98⅞	99⅜	−0⅛	+1⅛	9.04
Canada 9 96	1000	99⅜	99⅞	−0¼	+1⅜	9.06
Canadian Pac 10¼ 93	180	†104	105	0	+1¼	9.61
C.C.C.E 7¼ 91	113	†94⅞	95⅛	0	+1	8.72
C.N.C.A 7¼ 91	150	94½	95	−1¼	+1⅛	8.89
Coca-Cola Ent. 8¼ 90	100	†100⅞	100⅜	−1⅛	+0⅛	7.98
Credit Lyonnais 9 91	200	100⅞	101⅜	0	+0⅞	8.56
Credit National 7⅞ 92	100	95	95½	+0⅛	+1¼	8.74
Credit National 7¼ 91	150	95⅛	95⅝	0	+1	8.69
Denmark 7⅞ 92	500	93¼	93¾	0	+1	9.07
Denmark 8¼ 91	300	*100⅞	101⅜	0	+1⅛	7.84
E.E.C 7 91	100	94⅞	95⅜	−0⅛	+1⅛	8.56
E.E.C. 7¼ 93	250	93⅜	93⅞	+0¼	+1⅞	8.84
E.E.C 8¼ 96	100	93⅜	93⅞	+0⅛	+1⅞	9.38
E.I.B. 7⅞ 93	100	93⅝	94⅛	−0¼	+1⅜	9.00
E.I.B. 9⅞ 97	150	99½	100	−0⅛	+2½	9.40
Finland 7⅞ 97	200	90	90⅜	0	+2¼	9.55
Finland 7⅞ 93	200	93¼	93⅞	−0½	+1⅝	8.97
Ford Motor Cred 11⅞ 90	100	105⅜	105⅞	−1	+0⅛	8.36
Gen Elec Credit 10¼ 00	200	102¼	102¾	0	+0½	9.87
G.M.A.C. 8 89	250	99½	100⅛	+0⅛	+0⅛	8.12
G.M.A.C. 8¼ 89	200	100¼	100⅝	−0⅛	+0⅛	7.91
Hoesch 8¼ 97	100	†89½	90	0	+1¼	10.00
Hoesch 7⅞ 92	100	†95	95½	0	−0¼	8.77
Liberty Mutual 8½ 96	150	*†95	95½	0	+1⅛	9.32
L.T.C.B of Japan 8 91	100	97⅜	97⅞	0	+1	8.82
L.T.C.B.of Japan 8 97	200	88⅝	89⅛	+0½	+2⅞	9.95
Merck-Benz Cred 8¼ 92	100	†99	99½	0	−0⅞	8.44
Mitsubishi Fin. 7⅞ 93	100	†92⅞	93⅛	−0¼	+0⅞	9.50
Mutual America 7⅞ 92	100	†94⅛	94⅝	−0¼	+0⅝	9.34
Norway 7¼ 91	500	*†98⅜	98⅞	0	+1⅛	7.68
Pepsico Inc 7⅞ 93	200	†93⅜	93⅞	−1½	+1⅛	8.92
Prudential Crp. 8⅞ 94	125	98¼	98¾	−0½	+1⅛	9.05
Qantas Airways 10⅛ 95	140	103⅞	104⅜	+0⅛	+2	9.60
Rep. of Finland 9⅞ 92	100	*101⅞	102⅜	0	+1⅛	8.64
Rep. of Italy 9 90	1000	101¼	101¾	0	+0½	8.32
Saab Scania 9½ 91	125	†102½	103	0	+0⅛	8.44
Saskatchewan 10⅞ 92	100	105⅝	106⅛	−1	+1¼	8.97
State Bk S Aust 9¼ 93	100	99½	100⅛	+0½	+1⅞	9.51
Swedish Expt.Crd.7¼ 91	100	†95¼	95¾	0	+1	8.65
Swed Exp Cred 10 92	100	105¼	105⅝	+0⅛	+1¼	8.45
Sweden 7 91	250	94⅜	95¼	0	+0⅞	8.61
Sweden 7 92	250	†94¼	94¾	0	+0⅜	8.66
Sweden 8⅞ 96	200	96¼	96¾	0	+1⅜	9.37
Sweden 8½ 92	200	†99	99½	−1¼	+0⅛	8.68
The Met.of Tokyo 9⅛ 93	200	103⅜	102⅞	0	+0⅛	8.98
Toyota Mtr. Cred. 9 90	200	†101	101½	−0⅛	+0⅛	8.49
Toyota Mtr.Cred.7⅞ 92	150	†93¾	94¼	−0⅛	+0⅛	8.96
Victorian Rep 11⅞ 92	150	108½	109	+0⅛	+1⅛	9.04
World Bank 7 92	300	†94⅝	95⅛	−0⅛	+1⅛	8.56
World Bank 9 97	300	97⅛	97⅝	−0⅛	+2⅛	9.41
Yasuda Trust Fin 8½ 93	100	95¾	96¼	−0⅛	+1½	9.45

Average price change... On day −0⅛ on week +1⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101¼	101¾	0	+0⅛	5.75
Avis Fin.SVS 5⅞ 92	100	†102½	103	−0¼	+2⅛	5.12
Bank of Greece 5⅞ 92	300	98¼	98½	+0⅛	+0⅛	5.76
Bank of Tokyo 5¼ 93	100	†102	102½	−0⅛	+0¼	5.25
Central BK. Turkey 7 92	200	†103¼	103¾	−0⅛	0	6.11
Degussa Int. 6⅛ 97	200	97	97¾	+0⅛	0	6.50
E.I.B 5½ 98	150	93⅞	94⅜	0	0	6.34
E.I.B 6 97	300	98⅞	99⅜	+0⅛	+0⅛	6.18
E.I.B. 6⅛ 96	300	99⅞	100⅜	+0⅛	+0¼	6.16
E.I.B. 6⅛ 97	400	98⅞	99⅜	+0⅛	0	6.27
E.I.B. 6⅞ 95	300	104¼	105	+0⅛	+0⅛	6.11
Euro.Coal& Steel 5⅞ 97	175	96⅞	97⅜	+0⅛	+0⅛	6.32

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅝ 94	45	96½	96⅞	−0⅛	−0⅛	5.26
E.I.B 4⅝ 94	40	97⅛	97½	−0⅛	−0⅛	5.14
Elec. De France 5⅛ 94	20	99⅝	100⅛	−0⅛	−0½	5.12
Kansai Electric 4⅝ 94	60	96⅜	96¾	−0¼	−0⅛	5.29
Norway 4¼ 92	60	97½	97¾	−0⅛	0	4.88
Rep. of Italy 5⅛ 92	150	103½	103⅞	−0⅛	−0¼	4.75
Sweden 4⅞ 92	50	97⅝	98¼	−0¼	−0⅛	4.88
World Bank 5½ 92	50	103⅛	103½	−0¼	−0⅛	4.67

Average price change... On day −0⅛ on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Inv.in Ind.Intl 10 93 £	60	99⅝	100⅛	−0⅛	+0⅞	10.01
Leeds B.S 10½ 91 £	50	100½	101	+0¼	+1	10.18
Mort.Bk.Denmark 6 91 Fl	150	100	100½	+0½	+0⅛	5.92
Mtge. Bk. Dn. 6⅛ 91 Fl	100	102⅝	102¾	0	0	5.88
Nat.Australia 14 92 A$	50	102¼	103	0	+0⅛	−0.44
Nat. West.Bk.13⅞ 92 A$	50	†102¼	102⅝	0	+1⅛	12.41
Nationwide BS 10⅛ 93 £	75	99⅞	100⅜	−0⅛	+0⅛	10.17
New Zealand 7⅛ 93 ECU	200	98⅝	98⅞	+0⅛	+0⅛	8.08
Oesters.Kblk.13⅞ 94 A$	75	†102¼	103¼	0	−0⅛	12.87
Prudential Fin.9⅜ 07 £	150	87⅞	88⅜	0	+2½	10.87
S.D.R. 7⅛ 95 ECU	90	98	98½	+0¼	+1⅛	8.08
Tsthouse Forte 11⅛ 90£	50	101½	102	−0⅛	+0¼	10.15
Thyssen 7¼ 90 Fl	50	103	103⅝	−0⅛	−0⅛	5.85
Wessanen 6⅛ 90 Fl	50	101⅛	101⅝	+0⅛	−0⅛	6.16
World Bank 13⅞ 92 A$	100	†103⅝	104⅛	0	+1⅛	12.15

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	100.31	100.41	13/04	8.17
Alliance & Leic.Bld 94 £	.08	99.07	99.12	21/01	10.27
Belgium 93	0	100.14	100.24	19/02	7.19
Britannia 5 93 £	0⅛	99.59	99.64	8/01	10.37
Chase Manhattan Corp 93	0⅛	99.03	99.28	22/02	7.19
Citicorp 98	†0¼	96.95	97.20	29/02	7.69
EEC 3 92 DM	†0	100.42	100.47	22/02	4.31
Halifax BS £ 94	.1	99.43	99.48	8/02	8.97
Invt. In Industry £ 94	0	99.41	99.51	24/02	9.44
Midland Bank 01 £	.1	94.87	95.46	11/02	8.97
Milk Mkt.Brd. 5 92£	0⅛	99.39	99.45	30/12	10.37
New Zealand 5 97 £	.07	99.26	99.36	18/02	9.06
New Zealand 5 01	0	98.86	98.96	4/02	7⅛
Shearson Lehman Hldg 93	†0¼	98.87	99.37	8/02	7.62
United Kingdom 5 92	0	100.10	100.17	7/01	8.19
Woolside Fin. 5¼ 97	0	98.84	98.94	28/01	7.69
Woolwich 5 95 £	0⅛	99.30	99.35	19/02	9.12

Average price change... On day 0.00 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcan 6¼ 02	†8/87	62	93½	94½	−0⅛	35.91
Alco Health 6¼ 01	†7/86	26.25	79	80	+1	26.48
American Brands 7⅛ 02	9/87	56.7	97	98	−0¼	18.56
American Can Co. 5⅛ 02	4/87	46.75	64	65¼	−0¼	65.09
Ashikaga Bank 2⅛ 02	4/87	967.	108⅞	110⅞	−1½	−3.96

UK COMPANY NEWS

Britoil steps up defence to unwelcome BP offer

BY MAX WILKINSON, RESOURCES EDITOR

Britoil, the UK's largest independent oil company, yesterday stepped up its defence against the bid from British Petroleum with the announcement of a new oil discovery and a valuation of its assets at 55 per cent more than BP is offering.

The oil find in the North Sea some 200 miles north east of Aberdeen is in block 9/23B. The company said the reservoir could contain 200m barrels of recoverable oil and 600bn cubic feet of gas. This is a large find by the standard of recent discoveries.

The assesment of the field's potential was part of an independent review of Britoil's assets by Robertson ERC, the engineering consultants.

This study values Britoil's assets at £3.53bn or 699p per share, compared with the 450p being offered by BP. Both figures are well above the stock market's maximum valuation of Britoil's shares, which reached 358p in early August.

Mr David Walker, Britoil chief executive, said the company's latest discovery was thought to be the largest in the North Sea for several years. "For Britoil it is a very important addition to our successful ongoing exploration programme to increase the reserves and value of the company."

Britoil has a 70 per cent share of the licence for the block in which the find was made. The other companies involved are Hispaneil UK (a subsidiary of Repsol Exploracion) with 25pc and Ranger (formerly Berkeley) with 5pc.

The Robertson ERC valuation of Britoil said the net present value of Britoil's petroleum interests at the end of 1987 were: commercial and potentially commercial reserves: £3.08bn, technical reserves £250m and prospects and acreage £250m.

Robertson ERC has based its assumptions on a Brent oil price of $18 per barrel in 1988, $19 in 1989, $20 in 1990, $21 in 1991, $23 in 1992, $25 in 1993, $27in 1994, rising thereafter at five per cent a year.

It has used a 12 per cent discount rate in evaluating the present value of the reserves and has assumed a steady decline in the value of the pound against the dollar to $1.50 by 1994.

A higher discount rate, a higher assumed value for the pound and a more gradual rise in oil prices would each depress the value of Britoil's reserves.

Britoil said the report was commissioned to help its advisers and shareholders to assess BP's offer. "We have consistently stated that BP's offer undervalues Britoil," Mr Walker said.

"This independent report underlines the gap between the value of Britoil's assets and the price which BP is offering," he said. The report, which adopted "long-term, conservative price assumptions, conservatively values the future potential of the company," he added. Britoil will issue its defence document next week. "This will make plain the opportunities and prospects which Britoil has to develop into a major international oil exploration and production company, in the process achieving substantial increases in the returns to shareholders," Mr Walker said.

● BP announced yesterday that it would extend its offer to buy Britoil's shares if the offer had not become unconditional by February 4, the first closing date. The announcement followed representations by Britoil's advisers to the Takeover Panel about the wording of BP's offer document posted to shareholders last week.

See Lex

Boardroom battle at Bremner hots up

BY PHILIP COGGAN

Mr Dennis McGuinness, the Glasgow stockbroker, moved swiftly yesterday to establish himself as the sole chairman of Bremner, the financial services group.

The former chairman, Mr James Rowland-Jones, had been removed from office after a vote at an extraordinary general meeting on Monday, which had been called by Mr McGuinness.

But Mr Rowland-Jones says that he resigned on Monday evening before the votes were counted, and a board meeting then appointed Mr Eric Pearce in his stead.

This left Bremner in the unusual position of having two people who claimed to be chairman. But Mr McGuinness disputes that Mr Pearce is on the board of Bremner, let alone as chairman.

Mr Rowland-Jones claims that Mr Pearce, Mr John White and Mr Chris Adams were co-opted on to the board at a Sunday meeting; however Mr McGuinness argues that the meeting did not have a quorum.

Yesterday Mr McGuinness was granted an interim interdict by a Scottish court, preventing Mr Pearce, Mr White, and Mr Adams from claiming to be directors of Bremner. That leaves Mr McGuinness as the sole chairman.

But the battle is far from over. Mr Pearce and the others have 21 days in which to prove their case that they are directors.

And Mr Rowland-Jones, before he left the chairmanship, requisitioned a further EGM for March 24, at which he hopes to reverse Monday's vote.

Suter's £3m sale

Suter has sold S A van Rymenant, the Belgian construction company, which formed part of the Mitchell Cotts Group, to Societe Auxiliaire d'Entreprises of France. The consideration was £3m.

In the year to June 30 1986, van Rymenant and its subsidiaries made pre-tax profits of £97,000.

DOLLAR PROVISION COULD REACH £200m

BAe to charge exchange losses

BY MICHAEL SMITH

British Aerospace, the aircraft, missiles and space equipment manufacturer, said yesterday it intends to charge all the foreign exchange losses it expects on civil aircraft in the next two years or so to its 1987 accounts.

"We are going to take a full hit – as much as we can forecast will happen," said Professor Roland Smith, chairman.

The decision had been expected by analysts but was confirmed for the first time in an interview with the Financial Times by Professor Smith together with Sir Raymond Lygo, chief executive, and finance director Mr Bernard Friend.

It means this year's pre-tax profits will be well down on last year's £182m. Analysts expect that, following BAe's decision, the provision for dollar losses could be as much as £200m and that the group, as a whole, may incur an overall loss after tax.

Other points to emerge during the interview included:

●The company is aiming to increase the proportion of goods supplied in dollar billings for civil aircraft construction from about 35 per cent last year to 45 per cent in 1988.

●Royal Ordnance, the munitions business bought by BAe from the state last April, is performing ahead of expectations.

●The 1987 balance sheet is likely to show year-end cash deposits of about £1bn.

●Every time the dollar moves a cent against the pound BAe's pre-tax profits are affected by about £3m during the course of a year.

●The 1987 order book rose to above £10bn for the first time, against less than £9bn the previous year.

The past year has been one of the most turbulent in BAe's10-year existence; Professor Smith, in the chair for just three months, could hardly have been given a tougher introduction.

Just a year ago it all looked so different with a highreputation of the company's products, sales going well andsome analysts expecting the company's civil aircraft division to break even for the first time. Then came the fall of the dollar.

As Britain's biggest exporter of manufactured goods, with 70 per cent of its output going abroad, BAe would always be harder hit than most companies. But the problem was made much worse because of the long lead times in the production of its products and because all civil aircraft contracts are denominated in dollars.

BAe has, of course hedged against a fall in the decline in the dollar but Mr Friend is reluctant to cover all contracts at present exchange rates when a break-even in the civil aircraft division would require $1.50 to the pound. "We know that if we cover forward say when the exchange rate is $1.80 then we are locked into losses – we are not going to get sufficient sterling back to cover costs."

Mr Friend believes that the dollar will weaken further in the first three or four months of this year but is hoping for a strengthening thereafter. "We have no doubt that in the 1990s it will be back to $1.50 to the pound."

Professor Roland Smith – lack of good marketing

When BAe set up the commercial aircraft division it did not expect profits to come quickly. "We decided to go into civil aircraft because it was and is an area of substantial growth," said Sir Raymond yesterday." We were in it for the long term and we were looking to 1995 before making a real profit.

"Nothing has changed. If we lose our nerve half way through we would lose our shirt and trousers. Even 12 years after start-up we would lose our trousers."

With Professor Smith, Sir Raymond has introduced a series of changes throughout the group which had been some time in the planning, but have now been brought forward because of the dollar problems.

Among these is a critical look at the company's materials costs. As well as asking suppliers to take less of a profit on contracts for themselves, it is attempting to make them bill the company more in dollars. The eventual aim is to improve the dollar-denominated content of supplies from about 35 per cent to 5o per cent, says Professor Smith.

Another sign of the company's more aggressive stance has been in its handling of property. Mr Friend admits the company's extensive property assets "have not been developed in the way they might have been."

However, the company has taken a first step with the development of the Weybridge site in a joint venture. "It was our first experience and we learnt a lot from it," said Sir Raymond. "We have a lot of property which is surplus to requirements and we are looking at it.

" For example, we have eight airfields and we do not need all of them. Similarly, Royal Ordnance has a great deal of surplus property."

The company describes the Royal Ordnance acquisition as a "great success."

"It suffered from a lack of good marketing and research and development," said Professor Smith. "From day one we sent in some of our top people and the results have come through quickly.

"When we made the acquisition some people thought we paid a high price. In fact, we bought it on a lower price/earnings ratio than we thought."

Allied Textile nears £10m and order books in better shape

BY ALICE RAWSTHORN

Allied Textile Companies yesterday announced a 28 per cent increase in pre-tax profits to £9.6m for the year to September 30 on turnover which rose by 47 per cent to £84.2m.

Mr Russell Smith, chairman, said that the group's core textile interests – which embrace fine woollen cloth, synthetic fibres and industrial textiles – had all fared "remarkably well" during the year.

Similarly the company's cash pile has continued to grow. For many years Allied has held a substantial proportion of its assets in cash. The company's policy of investing this cash in vehicles such as off-shore funds and gilts ensured that it emerged unscathed from the stock market crash.

The textile division accounted for much of the increase in profits, contributing £7.3m (£5.6m) while investments yielded £2.3m (£1.9m). Earnings per share rose to 27.7p (22.4p). The board proposes a final dividend of 5.8p making 9.2p (8.p).

Allied rationalised its traditional textile activities in the late 1970s and has since built up its interests in the speciality fabrics field, for use in the defence and automotive industries. The company intends to expand this area of its business and is presently looking for suitable "niche" textile companies.

Little more than a year ago Allied augmented its wool textile interests with the acquisition of Bulmer & Lumb. This business has since been restructured. Unwanted subsidiaries have been sold and the remaining plant is being modernised.

Bulmer made a modest contribution to profits in the year to October. Mr Russell Smith said that most of the new equipment should be installed by the year end and that the business should reach its target profit margins of 10 per cent in the 1988/89 financial year.

The group has performed well so far in the present year, according to the chairman, who said that the order books are "a great deal better" than at the same time last year.

● comment

Allied Textiles, which is as much an investment concern as a textile company, is something of an anomaly on the stock market: albeit an impressive example of the breed. Its textile interests are run with rigorous efficiency. Businesses which fail to meet profit targets – minimum margins of 10 per cent – are, like the Bolton Eagle spinning plant, cast aside. Those which succeed are equipped with the most modern machinery. Its cash is managed every bit as effectively: as evidenced by its ability to bounce through the stock market collapse. In the bull market this cash pile was a something of a burden to the share price, in that it cast the company in an unadventurous light. In the current, more cautious, climate it is a distinct advantage. Allied now appears as a reassuringly solid stock and has fared rather better than the rest of the textile sector. This year it should muster pre-tax profits of £11m with earnings per share of 31p. But it will come into its own in the following year, when Bulmer & Lumb comes to fruition.

UK COMPANY NEWS

Microgen's 32% growth gives £9.5m over year

GROWTH HAS continued apace at **Microgen Holdings**, a specialist in computer output microfilm, laser printing and computer aided photo-typesetting.

In the year ended October 31 1987 turnover rose 26 per cent, from £26.43m to £33.36m, while the profit advanced 32 per cent, from £7.2m to £9.5m pre-tax.

And for the current year the directors are forecasting further solid progress.

They are paying a final dividend of 4p, bringing the 1986-87 total to 5.5p, against a scrip adjusted 4p. Earnings were 16.6p (12.5p).

Computer output microfilm revenue grew faster than in 1985-86, the directors said. Several new customers changed from in-house to bureau service and two small COM businesses were bought. Continued focus on reducing unit costs led to better margins.

The laser printing side showed substantial growth in turnover. The service has been introduced from scratch in Sweden and Finland, and through a small acquisition in Denmark.

● comment

Until yesterday, Microgen's shares had climbed 30 per cent since the start of the year indicating that someone had high expectations of these figures; they were obviously disappointed, perhaps because Scandinavian start-up costs knocked £150,000 off profits, and the shares fell 32p to 277p. The reaction seems exaggerated, as the profits increase was perfectly respectable, but shares which are narrowly traded often experience such violent price movements. Microgen's growth rate is slowing slightly as Eurocom's margins have now caught up with the rest of the group. There is still plenty of organic growth to come as more computer users turn to bureau; and the downside is limited as the vast majority of its turnover is regular business. On that basis, and assuming pre-tax profits of £11.7m this year, the shares look fairly valued on a prospective p/e of 14.

Lookers meets forecast with 46% rise to £4.1m

Lookers, Manchester-based motor dealer, yesterday announced a 46 per cent rise in profits from £2.82m to £4.12m in the year to end-September 1987. This was in line with the directors' forecast of £4m, made in November when the company announced the acquisition of the Martins group.

Turnover for the year rose from £164.46m to £169.63m and earnings per 25p share advanced 51 per cent to 37.1p (24.5p) after tax of £1.09m (£814,000). There was an extraordinary credit of £72,000 (£19,000 debit).

A final dividend of 5.75p (4.4p) makes 8.35p (6.4p) for the year. A one-for-one scrip issue is also proposed.

The directors said that higher profits in the motor division were due to better margins on both new and used car sales and improved performance on service and spare parts operations.

With profits for the first three months of the current year exceeding those of the corresponding period, the directors were confident of good results

Acquisitive Kenyon rises to £0.64m midway

Kenyon Securities, a supplier of funeral services and ancillary products, raised its turnover from £2.43m to £4.34m and its profits by £229,000 to £638,000 at the pre-tax level over the six months to end-September 1987.

Earnings worked through at 6.2p (6p) per 25p share. The interim dividend is being maintained at 2p after adjusting for *last September's one-for-one* scrip.

The period had seen the acquisition of ten funeral companies and a major coffin manufacturer.

In addition, contracts were exchanged last week, to acquire Dottridge Brothers for £11.5m in shares. The acquisition will add 5,700 funerals on an annual basis and increase the group's annual rate to more than 18,000 funerals and the number of branches to 101 compared with 40 at the beginning of the year.

The directors were confident that foundations had been created which would lead to growth and profitability.

During the opening six months, the group's major incident section was closely involved at the Zeebrugge ferry disaster.

Kenyon's shares are traded on the Unlisted Securities Market.

Spice gears up for expansion

Spice, the USM quoted distributor of motor parts and accessories, has laid the foundations and initiated plans for major expansion.

That affected short-term profits for the year ended September 30 1987, but the group was still able to show a 26 per cent rise at the pre-tax level, from £1m to £1.26m.

Mr Gordon Spice, chairman, said benefits would come through in future. He was confident the company could maintain its competitive edge in a market sector "with far greater potential for growth than was generally recognised".

The group was to introduce a national distribution centre *which would become the foundation* of its future business expansion. This week it announced the acquisition of Bradford-based Alpha Discount Spares for £2.8m in cash, convertible loan stock and ordinary shares.

A final dividend of 2.4p (1.87p) is proposed making 3.6p (2.13p) for the year. Earnings per share advanced to 13p (12.1p) after tax of £260,000 (£126,000).

Turnover in the year rose 11 per cent to £22.56m, while trading conditions remained largely unchanged. Extensive refurbishment of the Staines branch was completed and the majority of the costs fell into the year.

Spice Engineering made a useful contribution to profits.

The national distribution centre should be ready in the autumn. It is situated at Dunstable, *convenient for the M1*, and will be leased. Total fitting out costs will be £1.25m.

That will enable the group to expand sales in all six cash and carry branches (inclusive of one to be opened in Birmingham in the spring) by extending total product range and increasing on-shelf availability.

Mr Charles Tippet will be leaving the board at the end of the month. Mr David Evans, who recently joined the board, will take over as finance director.

Acquisition boosts Copson

F. Copson, supplier of heating equipment and builders' materials, saw its profits rise from £59,000 to £309,000 pre-tax for the half year ended October 31 1987.

Much of the improvement came about via a strong performance from LCP Building Supplies, acquired last July. Just over three months' results of LCP were consolidated.

Copson's first half turnover totalled £11.39m (£3.54m). Tax took £105,000 (£21,000) leaving earnings of 3.79p (0.77p restated) per 5p share.

Year-end profit for Crown TV

An improved second half performance in all the group's main loss-making areas cancelled out the interim deficit of £227,000 and enabled **Crown Television Productions**, the USM-quoted film, video and television programme producer, to post a small pre-tax profit for the year to end-September.

Although turnover for the period expanded by 25 per cent *from £3.31m to £4.14m*, operating profits dipped to £365,000 (£633,000). After interest charges of £163,000 (£208,000) and an exceptional debit of £117,000 (nil) relating to organisation and management changes effected last April, pre-tax profits amounted to £85,000 against £425,000 last time.

The directors do not propose to pay a dividend for the year.

Motor finance venture formed

A motor vehicle finance company has been formed by a consortium made up of Fitzwilton, The Keep Trust, in which it has a 30 per cent stake, and the Irish Intercontinental Bank.

The new company will have an issued capital of £5m. It will provide finance for leasing, hire purchase and general financing of motor vehicles, concentrating on fleet operators. The Keep Trust is a Ford and General Motor distributor.

Shareholding in the new company is held 37.5 per cent by Fitzwilton, 37.5 per cent by The Keep Trust and the rest by the bank. The issued capital will be provided in proportion to their equity stake.

The board will include Mr Kevin McGoran, Fitzwilton chief executive, Mr Greville Howard, Keep Trust chief executive, and Mr Ted Marsh, executive director of Irish Intercontinental Bank.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims— Abingworth, John Beales, Coxmore, [illegible] Nordic Inv. Tst., JW Wassall, Whinney Mackay

Finals— Colourvision, Elandsrand, Electronic [illegible]

FUTURE DATES

Interims—	
[illegible]	Mar 22
[illegible]	Jan 28
[illegible]	Jan 26
[illegible]	Jan 27
[illegible]	Jan 28
[illegible]	Feb 5
London Shop	Jan 25
[illegible]	Jan 28
[illegible]	Jan 29
Finals—	
[illegible]	Feb 17
[illegible]	Mar 9
Philips Lamps	Feb 23
Telecomputing	Jan 26

Williams paint buy escapes reference

By Nikki Tait

THE £133m purchase of paint business, Berger, Jenson and Nicholson by industrial conglomerate, Williams Holdings, will not be referred to the Monopolies Commission.

The Trade and Industry Secretary's "green light" decision, announced yesterday, prompted an immediate 9p spurt in the Williams share price, to 258p.

The acquisition, from West German chemicals giant Hoechst, was announced in early-December and followed the earlier purchase of the Crown paint operation from Reed International in June.

The Berger deal substantially increased Williams' role in the paints business, giving rise to a few reference worries – although Williams itself suggested that it would still only take 23 per cent of the UK decorative paints market, against Imperial Chemical Industries' 29 per cent.

Centre-file hits a record £7.5m

Centre-file, the computer services subsidiary of National Westminster Bank, announced a 48 per cent increase in pre-tax profits to a record £7.5m for 1986-87. Turnover rose by 25 per cent to more than £50m.

Mr Jim Graycon, Centre-file's managing director, said that the year had been a milestone. The record profits had been achieved while the company continued to invest substantially in developing products and services, he said.

New contracts, worth over £16m, were secured with building societies, while revenue from petrol retailers continued to grow, with nearly 2,500 service stations using the automated credit card clearing service. Payroll Services were enhanced by the introduction of Centre-file's own PC-based personnel administration system, Personnel Partner.

Substantial business growth had led to the need for an increase in processing capacity and an IBM 3084 was installed.

Wolverhampton & Dudley improves

Wolverhampton & Dudley Brewery's annual meeting was told that output of both draught and packaged beer was higher in the first half of the present year.

Trading had been poor in the late autumn, but Christmas was good and the company's public houses continued to trade well.

All-round growth helps Kewill advance 66%

GROWTH IN almost all its divisions, particularly consultancy and training, helped **Kewill Systems** to a 66 per cent increase in interim pre-tax profits on turnover up 20 per cent.

Pre-tax profits for this USM-quoted computer software company increased from £259,000 to £430,000 for the six months to the end of September 1987. Turnover was £2.52m (£2.09m).

Earnings per share came out at 4.73p (3p) basic or 4.35p (2.77p) diluted.

Directors said that the *Programming and Software Implementation* offshoot returned to profit. They added that the all-round growth was expected to continue in the present six months.

Tax was £163,000 (£93,000) and minorities took £1,000 (£1,000 credit) to leave attributable profits of £266,000, against £167,000 last time.

Stanley Leisure up to £1.63m halfway

Stanley Leisure Organisation, betting shop and casino group, increased pre-tax profits 25 per cent from £1.3m to £1.63m in the 26 weeks to October 25 1987.

The company also announced yesterday that its wholly-owned subsidiary Stanley Racing has agreed to acquire J. Fletcher, which operates 11 Merseyside betting shops, for £1.2m. This will bring the total of betting shops operated by the group to 178.

Stanley Leisure increased turnover by 38 per cent to £37.27m (£27.07m). The interim dividend is raised to 1.5p (1.31p adjusted for last September's one-for-three scrip issue). Earnings per 25p share advanced to 6.8p (5.36p adjusted).

Tax amounted to £579,000 (£468,000) and there was an extraordinary profit after tax of £900,000 (nil) relating to the sale of investments.

Mr Leonard Steinberg, chairman, said that trading was continuing at a satisfactory level, although in the racing division margins were currently lower than in the corresponding period last year. However, the company's acquisition policy continued to be successful, particularly in the racing division.

The acquisition earlier this month of seven betting shops from David Hudson (Racing) was expected to contribute to the second half results.

A new company, Stanley Snooker Clubs, had been registered within the group. The first club was trading well and the board intended to develop the division to become a considerable contributor to group profits.

All three casinos had traded at improved levels and the Liverpool Casino was producing a substantial increase in the volume of business after transferring operations to new premises in December.

Estates Property ahead 15% at six months stage

IN THE six months to end-October 1987 the **Estates Property Investment Company**, for which there has been a possible bid approach, increased pre-tax profits by 15 per cent from £1.78m to £2.05m.

Rents receivable rose from £3.62m to £4.77m. The company said the increase reflected the new properties acquired in Leicester, Reading and Redditch.

During the period, property disposals had realised £3.7m in capital surpluses, of which £3.36m related to surpluses credited to the asset revaluation in previous accounting periods.

Earnings per share were put at 9.05p, against 6.64p. An unchanged interim dividend of 3p is to be paid.

Net property income was £3.84m (£3.06m) and investment income and interest rose to £125,000 (£100,000). Interest charges were £2.14m (£2m).

A tax credit of £150,000 compared with a £440,000 debit, leaving net income available of £2.2m (£1.34m).

The directors said the board was still studying the approach made on January 11 along with other approaches.

Hodgson buys more of Richards (Leicester)

BY NIKKI TAIT

Mr Peter Hodgson, chairman of quoted oil services group Petrocon, announced yesterday that he had increased his stake in **Richards (Leicester)**, a small *holding company with interests* in engineering and foundries, by 3.75 per cent to 28.75 per cent. The shares were bought at 253p.

The increased holding follows the sale of a 28.9 per cent interest by two associated companies – Tair Financial, which is based in Houston, Texas, and Pexion, in London. They purchased the interest last June from long-time shareholder and investment company, Stainborough Securities.

The balance of the Tair-Pexion shares have been placed with a handful of institutions and private investors, according to Richards.

Shortly after taking his stake last summer, Mr Hodgson – currently overseas – joined the Richards board in a non-executive capacity. In August, his appointment was followed by that of accountant Mr Neil Gillespie, as chief executive.

Yesterday, Mr Gillespie stressed that Mr Hodgson's investment has been made in a private investor capacity - and was unrelated to his role at Petrocon. Richards, he said, intended to concentrate on enhancing existing activities in the immediate future, but did not rule out acquisitions in a year or so.

Yesterday, the shares were steady at 263p.

Recovery at Norbain

Norbain Electronics swung from losses of £399,000 to profits of £20,000 pre-tax over the six months to October 31 1987. Turnover totalled £11.34m against £9.94m.

Trading profits of £202,000 (loss £25,000) were subject to interest charges of £182,000 (£233,000) and an exceptional provision last time of £141,000.

Mr John Nicol, chairman, said that although the results were not yet satisfactory, he believed that new franchises and products would enable the group to increase turnover and margins, and that the streamlining of the operation would continue the improvement in profitability.

The company's 5p shares are traded on the USM.

COMPANY NEWS IN BRIEF

HELICAL BAR: Pramton has bought 100,000 shares in the company taking its stake to 1.34m shares or 7.05 per cent.

SCAPA GROUP has sold Scapaflex, its Edinburgh-based wholly-owned subsidiary, to Multiflex UK, a new Scottish-US joint venture financed by Multiflex International, the UK Management, Investors in Industry, British Linen Fund Managers and TSB Scotland. Scapaflex had a turnover of £5.3m in the year to March 31 1987.

MONARCHY FOODS has acquired Manchester-based J. Sykes & Sons (Fish Merchants) which has a turnover of about £14m. The acquisition is the first to be made by Monarchy, formed in September 1987 with backing from Investing in Success Equities and Panfida Group.

First Leisure performs well

BY ANDREW HILL

First Leisure Corporation, entertainments and leisure group, announced pre-tax profits yesterday up 26.6 per cent to £16.1m for the year to October.

Lord Delfont, who retires as executive chairman in March, attributed the company's success to its continuing policy of reinvestment and its concentration on activities which appeal to the mass leisure market.

"We have done very well in the so-called depressed areas. The apparent divide between north and south is not very apparent to us as far as spending is concerned," he said.

Discotheques and bowling alleys performed particularly well last year, lifting trading profits in the dancing and sports sectors from £7.5m to £9.5m.

The group will expand this sector this year, through out-of-town complexes which combine cinemas, discos, restaurants, bowling alleys and other sports in one leisure park.

First Leisure has already committed £24m to capital expenditure. Of this £9.5m will be spent on existing businesses and total capital expenditure for the year will probably top £30m, compared with about £17m for the whole of 1986/1987.

Resorts and restaurants remain the group's main interest. Poor weather limited this sector's profits growth to 9.3 per cent, although First Leisure's best known asset, the Blackpool Tower, still contributed £2m to trading profits of £10.2m (£9.3m).

A spectacular year in the group's two West End theatres, where 'Allo 'Allo and Chess played to near-capacity audiences, saw trading profits more than double to £1.4m (£605,000).

A £22.6m upward revaluation of the group's properties has increased the net asset value of shares to 255p against 166p in 1986.

The company also announced a four-for-one scrip issue to improve its shares' marketability. Existing £1 shares will be split into four 25p shares. Earnings per share are 33p (26.5p), and the final dividend of 6.375p (5p) makes 9.375p (7.5p) for the full year. Taxation is up from £4.2m to £5.3m.

● **comment**

South Pacific opened last night at the Prince of Wales Theatre. If today's reviews are as good as yesterday's results then Lord Delfont, who admits that theatre is his first love, will retire content. The happy talk is that First Leisure continues to fulfil its aim of 20 per cent annual growth in earnings per share, confounding critics who feel, somewhat irrationally given the company's success, that it should make a major acquisition. The company does not rule out such a move but reinvestment and organic growth are safer and, it seems, more profitable courses. First Leisure remains a highly seasonal company, an imbalance which is gradually being reduced by the expansion of indoor leisure activities and the prospect of further public houses acquisitions. Shares are hard to come by, but look solid with the prospect of about £19.5m in pre-tax profits for 1987/1988, putting them on a prospective p/e of about 13.5.

Wellcome shares hit by AGM warning

By David Waller

Shares in Wellcome, the UK drugs company, fell 8p yesterday to 384p after Mr Alfred Sheppard, the chairman and chief executive, sounded a cautious note at the annual general meeting.

Mr Sheppard warned that depreciation of the dollar against sterling would *effect adversely this year's* profits more than the previous year's, when sterling's relative weakness against European currencies and the yen had largely offset the dollar's decline.

He also reported on the progress of clinical trials into Retrovir, the only commercially available anti-AIDS drug. Mr Sheppard said that large scale programmes were being carried out "with as much alacrity as scientific rigour permits," but warned that *there would be news of* competing drugs in the coming months.

Barham minority may test IBC refusal on cash offer

BY CLAY HARRIS

International Business Communications (Holdings), the specialist publications and conferences group, may face a legal challenge over its refusal to re-open the cash portion of *its successful takeover bid for* **Barham Group**, the publishing, advertising and financial services company.

Mr Peter Land, a director of Parrish Investment Management, said one of his clients, owning 3,000 Barham shares, was willing to co-operate in a legal action with other members of the dwindling Barham minority.

Altogether, less than £4m is at stake, now that acceptances exceed 97 per cent of ordinary shares and 90 per cent of convertible preference shares. *However, the IBC-Barham bid* could turn out to be an important precedent for UK takeovers.

IBC claims that legislation which allows the final 10 per cent of shareholders in a target company to choose between any terms which were available during the bid does not apply in its case because the cash offer, which has been closed since October 2, was made by its stockbrokers, not by IBC itself.

This interpretation of section 430A of the 1985 Companies Act, as revised by the 1986 Financial Services Act, is not shared by most merchant banks and City solicitors. Indeed, IBC *is the first company to make* this claim.

However, Mr Sean Watson of solicitors McKenna & Co, which advised IBC, argued yesterday that an "offer," the word used in the new legislation, was more narrowly defined than the word "scheme" used in previous acts and on which the landmark 1971 court decision establishing the precedent had been based.

IBC's cash-and-shares offer had clearly been separate from the cash alternative offered by Capel-Cure Myers and Phillips & Drew, he said. The latter, *therefore, was not covered by* the section.

Mr Watson said McKenna's interpretation had attracted considerable interest from City institutions despite its admitted novelty. Merchant banks which accepted this premise were likely to state it explicitly in offer documents.

It remained open for shareholders to challenge the reading, he admitted. Strong arguments, however, could be mounted against treating the final 10 per cent of shareholders more beneficially than others who had missed cut-off dates.

If McKenna's emphasis on the word "offer" proves correct, it could apply equally to section 429, which allows companies compulsorily to buy in shares. IBC has not used this section.

Attention has only recently focused on these provisions because of the stock market crash, which left cash terms looking distinctly more attractive.

In IBC's case, there is a large gap between the cash offer and the current value of the shares-and-cash terms which are still open. For Barham ordinary shares, the respective fig*ures are 250p and 161.3p, for* preference shares, 130p and 83.9p.

Among those bidders which have re-opened cash terms, despite similarly structured bids, are Avis Europe (for C.D. Bramall) and Scottish & Newcastle Breweries (for Matthew Brown). In the latter case, S&N yesterday set in train compulsory purchase of shares after raising its interest to 96.2 per cent.

Abbey new business up 19%

BY NICK BUNKER

Abbey Life, the UK's second biggest unit-linked life assurance company, expanded its direct sales force by 17 per cent to 3,182 last year, and boosted its new business by just under 19 per cent.

New initial commissions – a figure which Abbey Life has hitherto regarded as the best measure of its growth – rose 18.9 per cent to £80.4m.

The figure is based on the commissions which Abbey Life pays to its sales people for new business.

Mr David Baggaley, Abbey Life's finance director, said, however, that the group would probably discontinue use of the new initial commissions figure this year. He said the figure was becoming less meaningful as Abbey developed a broader, more complex range of products.

Abbey Life's total new regular premium business grew 17 per cent to £93.1m in the 12 months to December 31, but this included a slight drop in its pensions business from £33.3m to £33.1m.

The group's new single premium business went up 26 per cent to £262.6m, but the lion's share of the growth here was in unit trust sales, which nearly doubled to £118.5m.

Mr Michael Hepher, group chairman, said the global equity market collapse in late 1987 had caused concern among commentators about its impact on unit-linked life companies.

But Abbey Life's new initial commissions went up 22 per cent in the final quarter, which gave the group confidence for a good performance in 1988, he said.

A success story on the regular premium side was the group's Living Assurance contract, a life policy which pays out on claims if and when the policy-holder contracts a serious disease.

Mr Baggaley said Living Assurance had provided almost 11 per cent of the group's new commissions in the UK since it was launched last July.

● **London & Manchester Group**, the home service insurer, saw its new annual premiums rise 18 per cent to £27.3m in 1987, while new single premiums were up 37 per cent at £75.4m. The group now has £372m out on loan in its mortgage portfolio, up 77 per cent over the last year.

£3m purchase by Holmes & Marchant

Holmes & Marchant Group, market consultant, is to acquire the Counsel Group, a public relations company with a large proportion of clients in the food and drink industries, for £3m. The two-stage cash and shares deal is subject to shareholders' approval.

Counsel's client list includes Distillers, Guinness, Heinz, Reckitt & Colman, Scottish Amicable and Citroen UK. In the year ended December 1986 its pre-tax profits amounted to £217,000 and net tangible assets were £90,000.

VICKERS is selling SOFEC, Houston-based margins terminal specialist, for $2.2m (£1.25m) cash, to six of its managers.

Western Motor in minority buy-out

Western Motor Holdings has acquired the 15 per cent minority stake held in its subsidiary, Distributor Deliveries, by Kenning Motor Group. Total consideration of £642,500 was satisfied by 155,000 new shares and £100,000 in cash.

Kenning, now part of Tozer Kemsley & Millbourn, will be holding the shares (1.8 per cent).

GrandMet document issued

BY LISA WOOD

Grand Metropolitan, the drinks group, yesterday issued its formal offer document to shareholders of **Martell**, the French cognac house which is the subject of a takeover tussle between GrandMet and Seagram, the Canadian drinks group.

Last week GrandMet, which holds a 19.9 per cent stake in Martell, made a final offer of FFr 3,300 per share for the cognac house, an increase of more than 10 per cent on that offered by Seagram.

Some 41 per cent of Martell shares are held by the family. This week Mr Rene Firino Martell, chairman, said he personally favoured the Seagram bid but any decision was up to the directors and the family group to decide. Seagram, which holds some 11 per cent of Martell shares, has given no indication as to whether it will increase its offer.

GrandMet, in its letter to shareholders, said if its offer for Martell was successful it would invite Mr Rene Firino Martell to join the board of IDV, its drinks subsidiary.

Bank of Scotland's NZ tie-up

Bank of Scotland has completed its investment in Countrywide Banking Corporation of New Zealand. The bank announced in September 1986 its plans to acquire 40 per cent of the equity of the successor to New Zealand's second largest building society, Countrywide, when it succeeded in converting itself into a banking organisation.

This has now happened – in the first conversion in New Zealand of a building society to a bank – and Bank of Scotland subscribed for 26,400 shares at 90 cents a share. The estimated net asset value per share immediately following the subscription was NZ$1.75 and the shares are currently trading around NZ$1.20.

Bank of Scotland said it would support Countrywide in developing its range of banking services and products by providing assistance in a number of specialist areas.

Porter Chadburn disposal

Porter Chadburn's wholly-owned subsidiary Porter-Lancastrian has conditionally agreed to dispose of certain of its assets and part of its business to Berncrest, which has been formed to effect a management buyout, for an initial cash consideration of £775,000.

The business to be sold is mainly concerned with the manufacture, sale and service of drink dispensing equipment. In the year ended March 31 1987, it incurred a loss of £254,000. At the end of December the assets to be sold had a book value of £796,000.

Ealing Electro expects downturn

Ealing Electro-Optics, the USM-quoted maker of optical products, is likely to report pre-tax profits for 1987 of about half the £1.27m achieved in the previous year.

Ealing warned yesterday that second-half trading profits had fallen "substantially below" the £462,000 figure reported in the first six months. The fall in the dollar was largely to blame.

Directors were more confident about the current year because of a strong order book. Ealing shares were unchanged at 68p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Allied Textile	fin	5.8†	-	5	9.2	8
Derby Trust	fin	6.1	Feb 26	4.86	10.85	9.12
EPIC	int	3	Apr 6	3	-	9
First Leisure	fin	6.38†	-	5	9.38	7.5
Fleming Tech.	int	0.2	-	0.2	-	0.6
Kenyon Secs §	int	2	Feb 29	2*	-	6
Lookers	fin	5.75	Apr 30	4.4	8.35	6.4
Microgen	fin	4	Apr 6	3*	5.5	4*
Spice §	fin	2.4	-	1.87	3.6	2.13
Stanley Leisure	int	1.5	-	1.31*	-	3*

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♦Unquoted stock. ¶Third market.

COMMODITIES AND AGRICULTURE

Deborah Hargreaves on problems for New York exchanges

Merger plans take back seat

THE SPIRIT of co-operation that for a brief time pervaded New York's five futures exchanges appears to have faded as quickly as it took hold.

A move toward a closer relationship has taken a back seat to the more prosaic problems facing New York's two major exchanges as the chairman of one prepares to step down and the other weathers allegations that he abused his position.

An independent review panel set up by the New York Mercantile Exchange has cleared Mr Bill Bradt, its chairman, of allegations that his "business relationships" conflicted with his chairmanship. But this has only dampened dissent among floor traders, some of whom remain unhappy about his style of leadership.

At the same time, Mr Alan Brody, chairman at Nymex's rival Commodity Exchange (Comex), is to be replaced by an elected chairman. Mr Brody, who will continue as president, was the first full-time official of a US futures exchange and faced growing concern among the exchange's members about his role.

The two exchanges' young chairmen had come close to laying the foundations for a long-debated merger in recent months and had even been suggesting a closer relationship between all the New York exchanges. The merger issue remains controversial at Nymex, however, where it faces substantial opposition.

Some floor traders have been dissatisfied with Mr Bradt's judgment on several issues, including his enthusiasm for a merger. And Nymex was prompted to set up an investigation into Mr Bradt's business interests after "certain actions were brought to my attention by a variety of sources," according to Ms Rosemary McFadden, the exchange's president.

The inquiry, which was started in November, found that Mr Bradt had been in negotiations about a joint venture clearing operation with Mr Kevin Conway, Nymex's head of compliance. Mr Bradt backed off from the association when he became worried about a conflict of interest, but Mr Conway has been dismissed for trying to set up his own business on exchange time and expense.

Although Mr Bradt was found not to be in violation of exchange or regulatory laws, the issue has certainly tarnished his image and been an embarrassment for Nymex. For the time being floor dissent has been quelled, but some traders privately doubt his chances of being re-elected in March 1989.

Across the floor in the exchanges' World Trade Center headquarters, Comex members will be voting for a new chairman this March.

In what one Comex board member describes as a "ridiculous" move, Mr Brody was made chairman in November 1986. But "it is impossible for a guy who is a head of staff to deal with the political problems of a trading community," the board member commented.

Mr Brody says it was his own decision to ask the board for the change, but he has not been very popular among traders, not least because of some of the difficulties the exchange has faced since he took over. Comex suffered serious clearing problems in April last year, forcing the exchange to close early for three days.

Comex's success in moving into new products has also been less than overwhelming. Its corporate bond index futures contract, launched with high hopes in October, has languished, with trading volume at a little over 200 lots a day, and the exchange remains tied to the vagaries of the metal markets.

However, 1987 was a good year for commodities and trading volume on the New York exchanges approached 60m contracts for the first time. Nymex had a record year with crude oil becoming the world's most actively traded physical commodity.

The success of New York's commodity contracts has made overcrowding on the exchanges' bustling floor even more severe – particularly for Nymex's sweaty crude oil futures traders. This will not be helped by the New York Futures Exchange's move to the World Trade Center next month.

Describing the conditions as "pretty cosy", NYFE, an arm of the New York Stock Exchange, is hoping the move will attract more and better capitalised floor traders to its products – principally futures on the NYSE composite index.

All the exchanges are involved in discussions on moving into a new building, although one long-awaited project fell through recently when Nymex pulled out. Nymex – calling the lack of space acute – is leading negotiations with other developers and talking about expanding the existing floor.

But although the move to a new building was supposed to presage a closer co-operation between all five exchanges, it does not look as if the members themselves are as yet very keen for a mass marriage.


Mr Bill Bradt, cleared by review panel

Grain strikers ordered back

By David Owen in Toronto

CANADIAN grain shipments from the Pacific coast terminal of Prince Rupert are expected to resume today following the passing by the House of Commons of legislation to end a six-week strike by grain handlers at the facility.

A decision to hire non-union supervisors to perform some functions at the highly-mechanised terminal led to a walk-out by 69 members of the Canadian Grain Workers Union on December 9.

The Bill, which calls for the striking workers to be back on the job on the day following its passage, imposes a three-year package of wage increases already agreed by the two sides and requires that the manning dispute be sent to binding arbitration.

The notion of binding arbitration received a lukewarm response from union and management alike when it was first recommended last week by government mediator, Mr William Kelly.

Introducing the legislation Mr Pierre Cadieux, the Labour Minister, criticized the "not only disappointing but shameful" conduct of both sides and maintained that the Bill was now the only way to arrive at a solution.

According to an official of the Canadian Wheat Board, the country's only wheat exporter, the dispute has cost farmers at least C$15m (£6.5m) through to the additional cost of re-routing grain to east coast ports.

Despite the disruption, Canada has so far shipped 700,000 tonnes more grain this year than in the corresponding year-earlier period. However, prior to the dispute, shipments were running as much as 2m tonnes ahead of year-ago levels, the Wheat Board official added.

EC remains split on farm policy

BY WILLIAM DAWKINS IN BRUSSELS

EUROPEAN Community Agriculture Ministers yesterday adjourned one of their typically marathon negotiating sessions after reaching a broad accord on plans to take surplus land out of production, but remaining split on details of farm policy reform.

Mr Ignaz Kiechle, the West German Farm Minister chairman of the two-and-a-half day meeting, will now draw up compromise proposals for the far-reaching package of European Commission measures to cut farm costs and surpluses.

These will be discussed at a resumed session on Saturday afternoon, when the ministers' aim will be to make enough progress for a session of EC Foreign Ministers next week to be able to start patching together an agreement for the next EC Summit in Brussels to stave off the EC's financial crisis.

German anxieties over imposing the so-called set aside scheme on top of separate proposals automatically to limit production weakened considerably during the session. But Mr Kiechle continued to insist that set asides – which would mean paying farmers to take land out of production – would ultimately remove the need for Commission proposals for automatic price cuts, known as stabilisers, for farm goods that breach pre-set production limits.

Nevertheless, Bonn now accepts the Commission's stance that stabilisers and set-asides must be complementary, said officials observing the meeting. "The main thing is that we have a broad accord on the philosophy of set-asides and their inter-relationship with stabilisers," said one EC diplomat.

The key differences over stabilisers yesterday included how to apply the system to cereals and oilseeds, the major crops affected. On set-asides, the main divisions are over financing. These include what proportion of farmers' compensation for taking land out of production should come from the EC, and whether it should come from the farm price support budget or from funds devoted to regional development for agriculture.

Chris Sherwell reports from the National Agricultural Outlook Conference

Australian farmers urged to consolidate

AN UNEXPECTEDLY rapid rise in farm incomes has provided a unique opportunity for Australian farmers to consolidate their financial position, a major agricultural conference was told this week.

Average farm incomes are expected to rise by 68 per cent in 1987-88, according to the Government's Bureau of Agricultural and Resource Economics, and Dr Onko Kingma, its assistant director, said farmers should "hasten to secure these gains."

He was speaking at the National Agricultural Outlook Conference in Canberra, an annual event organised by the bureau and attended by representatives from all segments of Australia's most successful export sector.

The conference coincides with a continuing process of adjustment forced on Australian farmers by weakened commodity prices, drought, high interest rates and falling land values. The process, participants agreed, must still go on for several years.

Opening the gathering on Tuesday, Mr John Kerin, the Primary Industries and Energy Minister, said a full recovery from the 1985-86 downturn had not yet arrived, but the trends were "in the right direction."

The statistics, he said, indicated that incomes of the top quartile of farmers had recovered fully, but those in the bottom quartile had not recovered at all.

On the upturn in rural fortunes, Dr Kingma said the most surprising thing about it had been "the rapidity with which it has occurred."

Average farm income was projected to rise to A$30,900 (£12,360) in 1987-88 from A$18,400 in 1986-87.

Citing a bureau survey of Australian farms, he said the improved level of incomes, together with an expected recovery in land values, meant farmers could expect a rate of return of around 7.3 per cent this year compared with an estimated 2.4 per cent in 1986-87.

The improvement in incomes would primarily be due to increased revenues for wool, which is enjoying buoyant prices; from pay-outs for past wheat crops; and from higher beef and dairy prices.

Improved returns are also expected on rice, horticulture and sugar.

Also of help, the bureau predicted, would be the relatively small increases in farm costs, in particular of interest payments.

Average debt fell in 1986-87, and was likely to fall again in the current year. The bureau said 12 per cent of farmers had debts more than A$160,000. It added that, as a top priority, farmers wanted to use their improved incomes to reduce debt.

Beyond this, nominal land values were expected to show some general increase, following a period of substantial falls. Although there would be variations according to area and type of farm, a turning point had been reached.

According to the bureau, the upturn in incomes would provide an opportunity for those farmers who wished to leave agriculture to do so. This in turn would permit amalgamations and renovations.

As for the future, the shift in recent years away from wheat and barley and into livestock and non-cereal crops would see continued improvements in farm productivity, the bureau forecast.

Although investment appeared to have slowed, less capital was now required to generate a unit of output, it said.

The need now was to improve the ability of farmers to improve their financial and business management.

Trade talks crucial for grain market

INTERNATIONAL grain prices are strengthening as demand exceeds production and world stocks fall, but fundamental improvements in the market depend critically on the Uruguay Round of trade negotiations.

This was the view of an international panel of experts which discussed the world grain outlook yesterday at the National Agricultural Outlook Conference, writes Chris Sherwell.

According to figures presented at the conference, grain usage in the 1987-88 season will exceed production for the first time in years, by a margin of 50m tonnes, or 3 per cent. In the case of wheat the production deficit is projected at 20m tonnes, or 4 per cent.

Reserves will be equivalent to two-and-a-half months' consumption.

Global grain production in 1987-88 was put at 1,600m tonnes, down 5 per cent on last year and the first fall since 1983-84. The decline reflects production falls in wheat, coarse grains and rice – a coincidence which has occurred only three times in the past 20 years.

World grain stocks are forecast to decline, but from high levels. This will place a limit on any price increases which might come from tight grain supplies or from increased demand in India, China or the Soviet Union. Rice stocks in particular, at 8 per cent of use, are the lowest in more than a decade.

In the medium term the picture for smaller world exporters like Australia, Argentina and Canada is expected to be determined by the grain policies of the US and the European Community, the two major producers, and by the course of the Uruguay Round.

Professor Andrew Schmitz of the University of Saskatchewan in Canada pointed out that deficiency payments from the Ottawa Government, amounting to C$1bn (£438m) in 1986 and C$1.1bn in 1987, meant that Canadian growers could match US export subsidy policies and hold on to Canada's share of the world market.

Mr Clinton Condon, head of the Australian Wheat Board, which markets the Australian crop, urged local farmers to aim for annual production of 13m tonnes in order that Australia could service its regular customers. He confirmed that this season's low output of 9.5m tonnes had caused difficulties. Output last year was around 16m tonnes.

Both men asserted that the grain outlook was improving, as did Mr Daniel Amstutz, the US Ambassador to the Uruguay Round. Mr Amstutz is due to make a presentation today regarding the Gatt talks, but he stressed yesterday that a successful multilateral negotiation offered the only chance of real change in the world grain markets.

Windwards warned on poor quality of bananas

BY CANUTE JAMES IN KINGSTON

THE WINDWARD Islands, which supply about two thirds of Britain's bananas, have again been warned by the British Government that poor fruit quality could affect the group's preferential access to the UK market.

In a letter to Mr John Compton, the Prime Minister of St Lucia, the British Government also warned about the dangers of oversupply. Details of the letter, which was sent to Mr Compton by Mr Tim Eggar, Under-Secretary of State in the Foreign Office, were disclosed by the St Lucian Government.

"Failure to maintain quality would lead to protest from consumers which would make it very difficult to justify the special position Caribbean banana suppliers now enjoy," Mr Eggar said. St Lucia and the other islands in the group – St Vincent, Dominica and Grenada – have shipped about 200,000 tonnes of bananas to Britain in each of the past two years. St Lucia accounts for about a half of the group's output.

Mr Eggar's letter stressed that the British Government intended to maintain the preferential access enjoyed by the Caribbean producers. Industry representatives in the island said, however, that the warning was clear - it was up to the producers to protect themselves by improving fruit quality.

Canadian gold output rises by 19%

BY KENNETH GOODING, MINING CORRESPONDENT

CANADA'S GOLD output last year was boosted by the opening of 13 new mines, according to a study by the Metals Economics Group of Colorado. Primary production last year rose by about 535,000 troy ounces to an estimated 3.3m ounces, 19 per cent up on the 1986 level.

At full production the new mines will add more than 500,000 ounces a year to Canada's gold mine capacity. Last year they contributed about 225,000 ounces while increased production from existing mines (excluding by-product and placer gold) rose by 310,000 ounces.

The study says the most recent figures show an average cash cost of production in 1986-87 was US$202 an ounce. The lowest cost operation is Hemlo Gold's Golden Giant with cash costs of $96 an ounce during the first nine months of 1987.

● China's gold production will rise by 18 per cent a year between 1988 and 1990 against an annual average of 10.4 per cent since 1978, according to the New China News Agency, reports Reuter.

China does not publish gold output figures but industry sources estimate it is 50 to 65 tonnes a year, putting the country fourth in the world league after South Africa, the Soviet Union and Australia.

"Active Canadian Gold Mines" US$695 from MEG, PO Box 1699, Boulder, Colorado.

WORLD COMMODITIES PRICES

LONDON MARKETS

RAW SUGAR futures touched 21-month highs at mid-day, with gains of between $4 and $4.60 a tonne. But the price fell back in later trading on profit-taking, following the trend in New York, dealers said. Prices were underpinned by problems in the availability of Brazilian and Cuban sugar. But this was countered by the absence of Pakistan and India as buyers of white sugar, deterred by high prices. There also appeared to be no foundation to market talk that the Soviet Union was looking for raw sugar, dealers said. On the London Metal Exchange copper prices fell further, with the afternoon ring featuring heavy liquidation of three-month metal by a large trading house. The strength of sterling against the dollar was an additional depressing factor, dealers said. Aluminium prices also fell on commission house liquidation, although an early morning sell-off had been halted by news that IPAI non-Socialist average daily production was down 300 tonnes.

SPOT MARKETS

		+ or -
Crude oil (per barrel FOB)		
Dubai	$15.55-5.65y	-0.25
Brent Blend	$16.65-6.75y	-0.35
W.T.I.(1 pm est)	$17.15-7.20y	-0.30
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$157-160	
Gas Oil	$143-145	-2.0
Heavy Fuel Oil	$71-73	
Naphtha	$148-150	+0.50
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♦	$477.25	
Silver (per troy oz)♦	874c	+3
Platinum (per troy oz)	$498.00	+6.50
Palladium (per troy oz)	$125.50	+1.75
Aluminium (free market)	$2030	-35
Copper (US Producer)	134¼-135c	+2¾
Lead (US Producer)	40c	
Nickel (free market)	350c	
Tin (European free market)	£3860	-20
Tin (Kuala Lumpur market)	17.39r	+0.01
Tin (New York)	320.5c	+1.0
Zinc (Euro. Prod. Price)	$850-900	
Zinc (US Prime Western)	44.75c	+0.50
Cattle (live weight)†	104.58p	[illegible]
Sheep (dead weight)†	135.04p	[illegible]
Pigs (live weight)†	65.12p	+1.67
London daily sugar (raw)	$259.40w	+17.40
London daily sugar (white)	$262.00w	+14.50
Tate and Lyle export price	£253.00	+5.50
Barley (English feed)	£111.50y	
Maize (US No. 3 yellow)	£136.50	+0.50
Wheat (US Dark Northern)	£96.25u	-2.50
Rubber (spot)♥	63.50p	-0.50
Rubber (Feb)♥	67.00p	-0.50
Rubber (Mar)♥	67.00p	-0.50
Rubber (KL RSS No 1 Feb)	280.50m	
Coconut oil (Philippines)§	$560.00v	+20.00
Palm Oil (Malaysian)§	$490.00	
Copra (Philippines)§	$390.00	+10.00
Soyabeans (US)	£158.50	-1.50
Cotton "A" index	72.00c	
Woolltops (64s Super)	503p	

COCOA £/tonne

	Close	Previous	High/Low	
Mar	1155	1160	1156	1144
May	1174	1181	1176	1164
Jly	1193	1199	1195	1185
Sep	1210	1216	1213	1203
Dec	1232	1240	1236	1228
Mar	1254	1263	1257	1252
May	1270	1283	1270	

Turnover: 2831 (3097) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for January 19: 1478.77 (1472.56*). 10 day average for January 20: 1446.06 (1439.94*). *Official correction

COFFEE £/tonne

	Close	Previous	High/Low	
Jan	1198	1207	1205	1195
Mar	1226	1237	1236	1225
May	1252	1262	1258	1249
Jly	1275	1285	1283	1273
Sep	1294	1309	1300	1293
Nov	1314	1325	1319	1312
Jan	1334	1340	1335	1327

Turnover: 3122 (4477) lots of 5 tonnes
ICO indicator prices (US cents per pound) for January 19: Comp. daily 1979 115.15 (113.42); 15 day average 114.67 (114.74).

SUGAR $ per tonne

Raw	Close	Previous	High/Low	
Mar	225.40	227.80	233.40	226.00
May	218.60	222.00	225.40	218.80
Aug	216.20	219.40	224.40	217.00
Oct	215.20	219.40	223.60	215.00
Dec	218.80	222.00	222.00	
Mar	213.80	219.00	222.00	216.60
May	213.80	220.00		
White	**Close**	**Previous**	**High/Low**	
Mar	257.00	245.00	263.00	257.00
May	257.00	257.00	263.00	257.00
Aug	262.50	254.00	265.00	253.00
Oct	262.50	250.00	265.00	261.50
Dec	263.00	249.00		
Mar	264.50	253.00	269.00	266.00
May	270.00	253.00		

Turnover: Raw 10868 (9080) lots of 50 tonnes; White 5257 (1946).
Paris- White (FFr per tonne): Mar 1448, May 1450, Aug 1465, Oct 1465, Dec 1465, Mar 1525.

GAS OIL $/tonne

	Close	Previous	High/Low	
Feb	144.00	144.75	145.75	144.00
Mar	142.50	143.50	144.25	142.50
Apr	139.75	141.25	140.75	139.50
May	137.00	138.50	138.25	137.00
Jun	137.00	138.50	138.50	138.00
Jul	138.25	140.00	138.25	

Turnover: 3370 (3158) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jan	110.50	110.40	110.90	110.50
Mar	111.70	111.10	112.10	111.50
May	114.10	113.45	114.45	113.90
Jly	116.30	115.65	116.50	116.15
Sep	102.30	102.15	102.30	
Nov	104.33	104.25	104.30	104.25
Jan	107.00	107.05	107.05	107.00
Barley	**Close**	**Previous**	**High/Low**	
Jan	105.50	105.60	105.60	
Mar	107.40	107.10	107.40	107.10
May	108.60	108.40	108.60	
Sep	97.25	97.25		
Nov	100.00	100.10		
Jan	102.15	102.25	102.15	

Turnover: Wheat 339 (287), Barley 20 (32) lots of 100 tonnes. EL-3

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	1960-80	2045-55		2020-40		
3 months	1860-80	1925-35		1900-10	1850-70	2,638 lots
Aluminium,99.5% purity (£ per tonne)						Ring turnover 21,700 tonne
Cash	1091-8	1148-52	1125	1124-5		
3 months	1036-7	1073-4	1057/1030	1056-7	1033-5	46,985 lots
Copper, Grade A (£ per tonne)						Ring turnover 51,706 tonne
Cash	1425-30	1457-62	1420/1419	1419-20		
3 months	1308-9	1348.5-9	1340/1308	1319-20	1311-2	74,520 lots
Copper, Standard (£ per tonne)						Ring turnover 175 tonne
Cash	1395-400	1400-10	1395/1370	1392-3		
3 months	1290-5	1300-10		1295-305		44 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	667-70	665-72		668-9		
3 months	678-81	680-4		680-2	678-81	687 lots
Lead (£ per tonne)						Ring turnover 6,850 tonne
Cash	369-3.5	364-6	365/365	365-6		
3 months	347-8	348-7	348/346	348.5-7	345-7	13,224 lots
Nickel (£ per tonne)						Ring turnover 1,554 tonne
Cash	4410-30	4350-70	4400/4360	4385-90		
3 months	4110-20	4095-100	4120/4050	4070-80	4105-15	9,429 lots
Zinc (£ per tonne)						Ring turnover 6,350 tonne
Cash	493-5	496-7	491	493-1		
3 months	498-8	498.5-99	497/492	493-3.5	494.5-95	12,974 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	98.50	99.00	100.00	
Mar	88.80	86.80		
Apr	155.50	153.00	156.10	153.80
May	169.50	167.00	170.30	168.00
Nov	91.00	90.50		
Feb	98.50	99.00		

Turnover: 866 (157) lots of 40 tonnes

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Apr	130.50	129.80	130.00	
Jun	124.00	122.50	123.00	122.80
Aug	122.00	122.00		
Oct	125.00	124.00		
Dec	127.50	126.00		
Feb	128.00	126.00		

Turnover: 15 (425) lots of 100 tonnes

FREIGHT FUTURES £/index point

	Close	Previous	High/Low	
Jan	1421.0	1414.0	1421.0	1417.0
Apr	1480.0	1470.0	1480.0	1470.0
Jul	1338.0	1332.5	1350.0	1332.0
Oct	1377.5	1385.0	1386.0	1377.5
BFI	1398.0	1390.5	1398.0	

Turnover: 245 (209)

WOOL

Acceleration in merino and fine crossbred wool prices took the Australian Wool Corporation's indicator to new peaks this week and brought something like boom conditions to Australian auction rooms. The indicator reached A$9.55 (A$9.31 a week ago). Coarser crossbreds have responded to the rise, but much more gradually. For UK wool textile markets, last Friday's sudden currency changes emphasised how quickly prices could advance. Much more business has been placed and buying interest is still indicated. Prices quoted for tops in Bradford are up by as much as 30p in the week for 64s super, now at 515p or more, 58s super are at about 390p, up 25p, and 50s carded at 340p, up 5p.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	477-477½	266¼-267
Opening	477¼-478	267-268¼
Morning fix	477.75	266.453
Afternoon fix	477.85	266.739
Day's high	478¼-478¾	
Day's low	476¼-477	
Coins	**$ price**	**£ equivalent**
Maple leaf	491-496	274-277
Britannia	491-496	274-277
US Eagle	491-496	274-277
Krugerrand	473½-476½	265-267
1/2 Krug	247-258	[illegible]
1/4 Krug	125-133	[illegible]
Angel	490-493	[illegible]
1/10 Angel	50-55	28-30¾
New Sov.	112¼-113¾	[illegible]
Old Sov.	112¼-113¾	[illegible]
Noble Plat	506¼-512¾	[illegible]

Silver fix	p/fine oz	US cts equiv
Spot	375.65	673.00
3 months	383.90	685.00
6 months	392.25	697.15
12 months	411.10	722.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
1800	182	141	55	99
1900	106	86	[illegible]	152
2000	65	63	158	217
Aluminium (99.5%)	**Calls**		**Puts**	
1750	190	145	22	97
1850	125	99	68	149
1950	76	65	117	214
Copper (Grade A)	**Calls**		**Puts**	
2150	[illegible]	[illegible]	[illegible]	[illegible]
2250	244	240	142	332
2350	153	174	249	462

US MARKETS

In a response to the fall in the stock market, precious metals were easier, reports Drexel Burnham Lambert. A combination of trade and local selling touched off commission house stops before late short-covering rallied prices. Copper fell on general long-liquidation reflecting less constructive technicals. Energy futures reacted disappointedly to fairly constructive API statistics, falling on long liquidation. However, persistent trade buying lifted prices from the lows. Producer price-fix selling and trade profit-taking eased sugar after early steadiness on follow-through buying from Tuesday. Cocoa rallied on fund buying in the face of trade profit-taking. Coffee was held to a narrow range as origin selling met light hedge-lift buying. Cotton fell on local selling following an early rally as commission house buy-stops were hit. Anticipation that hog runs could increase depressed live hog and pork belly futures while they and cattle reacted to Tuesday's steadiness as outside markets weakened and as the effects of the recent storm eased.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	476.5	477.5	0	0
Feb	478.8	478.2	476.9	476.0
Mar	479.2	480.7	482.5	477.0
Apr	482.0	483.7	484.0	480.5
Jun	486.5	489.8	490.3	486.3
Aug	492.5	493.6	495.3	492.5
Oct	498.7	501.5	0	0
Dec	505.8	507.5	508.0	505.0
Feb	511.9	514.1	511.0	511.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	493.9	495.0	494.0	492.0
Apr	500.0	497.5	504.0	494.1
Jly	507.5	505.0	509.5	502.5
Oct	515.5	513.0	515.0	512.5
Jan	523.1	522.5	522.5	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	663.0	669.0	672.0	[illegible]
Feb	665.9	670.9	0	0
Mar	670.0	674.5	682.0	[illegible]
May	677.5	683.5	[illegible]	[illegible]
Jly	684.5	690.4	[illegible]	[illegible]
Sep	691.6	697.4	[illegible]	[illegible]
Dec	701.6	701.1	[illegible]	[illegible]
Jan	706.6	711.3	0	0
Mar	713.0	719.8	0	0
May	723.2	730.1	0	0
Jly	732.2	740.2	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	118.00	124.75	118.10	118.00
Feb	111.50	120.50	117.20	[illegible]
Mar	104.00	110.80	111.40	103.50
May	93.75	100.90	100.30	92.50
Jly	86.25	88.20	[illegible]	[illegible]
Sep	82.50	84.80	[illegible]	[illegible]
Dec	80.00	83.80	[illegible]	[illegible]
Jan	78.00	83.80	0	0
Mar	78.30	83.80	0	0
May	77.70	82.85	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Feb	17.20	17.35	17.33	17.10
Mar	17.23	17.33	17.31	17.09
Apr	17.12	17.20	17.18	16.92
May	17.00	17.11	17.07	16.82
Jun	16.94	17.03	17.00	16.76
Jly	16.78	16.96	16.78	16.68
Aug	16.85	16.89	[illegible]	[illegible]
Sep	16.80	16.82	[illegible]	[illegible]
Oct	16.85	16.75	16.85	16.65

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Feb	50.30	51.19	50.80	[illegible]
Mar	48.00	49.04	48.25	[illegible]
Apr	47.05	47.41	47.30	46.40
May	46.10	47.00	[illegible]	[illegible]
Jun	44.75	45.43	45.00	44.75

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1927	1916	1930	1911
May	1957	1943	1957	1941
Jly	1985	1974	1985	1972
Sep	2000	1994	2005	1994
Dec	2035	2027	2035	2027
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	129.43	129.18	129.90	129.15
May	131.80	131.72	132.49	131.80
Jly	134.00	134.00	[illegible]	[illegible]
Sep	136.11	136.10	[illegible]	[illegible]
Dec	139.25	139.25	139.70	139.70
Mar	141.25	141.50	0	0
May	141.50	141.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.15	10.18	10.35	10.07
May	9.78	9.84	10.12	9.75
Jly	9.85	9.77	10.01	9.83
Oct	9.59	9.71	9.93	9.58
Jan	9.52	9.74	0	0
Mar	9.44	9.60	9.67	9.40
May	9.45	9.84	10.00	9.52

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	64.41	64.45	64.70	[illegible]
May	64.23	65.12	65.50	64.21
Jly	64.45	65.20	[illegible]	[illegible]
Oct	61.50	62.25	62.50	61.35
Dec	61.03	61.75	[illegible]	[illegible]
Mar	62.20	63.20	0	0
May	62.45	[illegible]	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	175.95	178.75	178.50	[illegible]
Mar	[illegible]	176.10	176.20	[illegible]
May	174.80	177.10	177.90	174.80
Jly	173.75	175.65	[illegible]	[illegible]
Sep	170.75	172.25	[illegible]	[illegible]
Nov	165.00	166.70	[illegible]	[illegible]
Jan	166.00	166.70	[illegible]	[illegible]
Mar	166.00	166.70	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 19	Jan 18	mnth ago	yr ago
1756.7	1760.1	1700.2	[illegible]

DOW JONES (Base: December 31 1974 = 100)

	Jan 19	Jan 18	mnth ago	yr ago
Spot	130.76	132.60	132.73	[illegible]
Futures	136.31	135.96	136.32	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	627/0	624/0	633/0	622/0
Mar	[illegible]	631/4	639/4	[illegible]
May	643/2	639/4	645/6	[illegible]
Jly	646/4	644/6	650/0	[illegible]
Aug	640/4	645/6	648/4	638/0
Sep	634/0	641/0	641/0	[illegible]
Nov	635/2	642/4	646/4	634/0
Jan	640/0	646/4	650/0	[illegible]
Mar	653/0	651/0	650/0	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	22.54	22.70	22.60	22.46
Mar	22.42	22.77	22.82	22.40
May	[illegible]	[illegible]	[illegible]	[illegible]
Jly	22.81	22.82	23.12	22.80
Aug	22.85	22.95	23.15	22.85
Sep	22.90	23.05	[illegible]	[illegible]
Oct	22.86	22.95	[illegible]	[illegible]
Dec	22.87	[illegible]	[illegible]	[illegible]
Jan	22.90	22.95	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	187.0	188.2	189.2	186.0
Mar	183.8	185.2	186.0	[illegible]
May	180.1	181.4	182.2	[illegible]
Jly	179.2	180.7	181.3	179.0
Aug	178.0	180.4	180.5	[illegible]
Sep	176.0	178.8	178.8	[illegible]
Oct	176.0	177.0	[illegible]	[illegible]
Dec	178.6	178.2	[illegible]	[illegible]
Jan	182.0	181.7	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	196/2	197/2	197/4	[illegible]
May	203/0	204/0	204/4	202/6
Jly	209/0	211/0	211/4	208/6
Sep	213/0	214/6	[illegible]	[illegible]
Dec	219/4	221/4	221/4	219/0
Mar	227/0	228/6	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	328/4	329/2	332/4	327/0
May	[illegible]	[illegible]	[illegible]	[illegible]
Jly	318/0	319/6	320/4	[illegible]
Sep	320/4	322/0	[illegible]	[illegible]
Dec	328/0	330/0	[illegible]	[illegible]
Mar	336/0	336/0	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	67.75	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]
Jun	66.20	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]
Oct	64.55	[illegible]	[illegible]	[illegible]
Dec	65.50	[illegible]	[illegible]	[illegible]
Feb	66.00	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	47.57	[illegible]	[illegible]	[illegible]
Apr	44.97	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]
Jly	48.05	[illegible]	[illegible]	[illegible]
Aug	46.40	[illegible]	[illegible]	[illegible]
Oct	42.25	[illegible]	[illegible]	[illegible]
Dec	42.20	[illegible]	[illegible]	[illegible]
Feb	42.12	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	57.85	58.22	58.40	57.40
Mar	58.60	[illegible]	[illegible]	[illegible]
May	59.80	[illegible]	[illegible]	[illegible]
Jly	60.77	60.22	60.55	[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar suffers setback

THE DOLLAR suffered a setback yesterday, showing further reaction to last Friday's US trade figures for November, but there may have been more to be gleaned from yesterday's news on US consumer prices and housing starts.

A rumour that the November US trade deficit had been underestimated by up to $3bn contributed to the selling pressure on the dollar before lunch.

US consumer prices rose 0.1 p.c. in December, compared with 0.3 p.c. in November, and against expectations of 0.2 p.c. This was regarded as good news for inflation trends in the US and around the world.

Mr Rupert Thompson, US economist at Morgan Grenfell, said the news dispelled earlier fears US inflation could touch 6 p.c.

A fall of 16.2 p.c. in December US housing starts was a considerable surprise, although Mr Thompson pointed out it was a continuation of a very volatile series in the last few months. He added the news was particularly surprising given recent gains in construction employment.

Mr Marc Hendriks, senior economist at Barings Economics Unit, said recent figures pointed to a slowdown in the US economy. Although the dollar may remain weak, according to Mr Hendriks, credit markets could rally on a move out of equities into bonds, leaving the US authorities with a difficult decision on interest rates.

The dollar fell to DM1.6605 from DM1.6760; to FFr5.6075 from FFr5.65; to SFr1.3485 from SFr1.3655; and to Y127.75 from Y128.55.

On Bank of England figures the dollar's index fell to 94.0 from 94.9.

STERLING-Trading range against the dollar in 1987/88 is 1.8785 to 1.4710. December average 1.8269. Exchange rate index rose 0.2 to 74.8, compared with 73.0 six months ago.

Sterling rose against the weaker dollar, and showed mixed changes against other major currencies. Attention was focused on the dollar, but there was some nervousness ahead of today's UK money supply and bank lending figures.

The market does not generally expect an early rise in UK bank base rates. Recent UK economic news has been encouraging, including the December PSBR, but dealers will want to see today's figures before drawing any firm conclusions.

The pound gained 1.40 cents to $1.7920-1.7930. It also rose to Y229 from Y228.75 and to FFr10.0525 from FFr10.0475, but fell to DM2.9775 from DM2.98, and to SFr2.4175 from SFr2.4275.

D-MARK-Trading range against the dollar in 1987/88 is 1.9305 to 1.5740. December average 1.6354. Exchange rate index 150.0 against 146.4 six months ago.

The D-Mark rose against the dollar, following a large selling order for the US currency and a rumour that the November US trade deficit was understated. This was officially denied by *the US Commerce Department*, but dealers said the currency appeared to be heading lower, even without the rumour.

The dollar fell to DM1.6675 at the Frankfurt close, from DM1.6815 on Tuesday. The Bundesbank did not intervene when the dollar was fixed at DM1.6634.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.35. December average 128.45. Exchange rate index 240.3 against 210.7 six months ago.

The yen showed little change against the dollar in quiet Tokyo trading. Doubts about interpretation of the recently announced US and Japanese trade figures limited market volume, leaving the dollar slightly weaker at Y128.80, compared with Y128.90 on Tuesday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan.20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1785	+1.70	+0.96	±1.5344
Danish Krone	7.85212	7.93464	+1.05	+0.31	±1.5404
German D-Mark	2.05853	2.06656	+0.39	-0.35	±1.0981
French Franc	6.90403	6.97215	+0.99	+0.25	±1.3674
Dutch Guilder	2.31943	2.32165	+0.10	-0.64	±1.5012
Irish Punt	0.768411	0.777465	+1.18	+0.44	±1.6684
Italian Lira	1483.58	1516.39	+2.21	+1.91	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Jan.20	Latest	Previous Close
£ Spot	1.7905-1.7915	1.7740-1.7770
1 month	0.23-0.20pm	0.25-0.24pm
3 months	0.75-0.71pm	0.74-0.71pm
12 months	2.97-2.87pm	2.85-2.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

*Selling rate

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 34.80-34.90.

POUND SPOT- FORWARD AGAINST THE POUND

Belgian rate is for convertible francs. Financial franc 62.40-62.50. Six-month forward dollar 1.50-1.46pm. 12-month 2.80-2.70pm

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts quiet but nervous

THE ONLY consensus in yesterday's Liffe market was that trading conditions were less than exciting. Beyond that opinions varied, from the bulls' looking for a further contraction in the US trade deficit, to the bears, expecting a renewed upward push on UK rates, after today's money supply figures.

Markets feed on speculation, and the last two weeks have provided enough to cause a severe bout of indigestion. On the US front however, the next seven days sees the market on a starvation diet, awaiting the release of US 4th quarter GNP figures.

Under these conditions, a large dollar selling order proved to be the primary stimulus behind an early nose dive in US bond prices. The knock on effect left gilt futures staring at a nine tick loss at one stage, with sentiment already unsettled by the release today of UK banking figures.

However yesterday's figures on US consumer prices - up 0.1 p.c in December, as expected - and a larger than expected 16.2 p.c. fall in US December housing starts, provided sufficient enthusiasm to underwrite a rally in the afternoon. On a busier day these figures would have probably received scant attention.

Short sterling contracts proved to be more robust, starting the day on a stronger note and remaining that way. A softer tone in cash rates helped sentiment. One dealer suggested that "the overheating argument seems to have gone off the boil," referring to recent economic data, which showed a slow down in manufacturing output and retail sales.

Bank lending and money supply figures, due for release today, have motivated more bears than bulls but it may take a bad set of trade figures next week to tip the scales and push base rates firmer.

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

LIFFE £/$ OPTIONS

LONDON SE £/$ OPTIONS

PHILADELPHIA SE £/$ OPTIONS

LIFFE- EURODOLLAR OPTIONS

LONDON

20-YEAR 12% NOTIONAL GILT

7-10 YEAR 9% NOTIONAL GILT

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

THREE MONTH STERLING

US TREASURY BONDS

FT-SE 100 INDEX

THREE MONTH EURODOLLAR

US TREASURY BONDS 8%

CURRENCY FUTURES

POUND-$ (FOREIGN EXCHANGE)

IMM-STERLING

LIFFE-STERLING

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

U.S. TREASURY BILLS (IMM)

SWISS FRANC (IMM) SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Mar	0.7452	0.7456	0.7433	0.7372
Jun	0.7529	0.7529	0.7505	0.7443
Sep	-	0.7600	-	0.7528
Dec	-	0.7660	-	0.7610

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

THREE-MONTH EURODOLLAR (IMM)

	Latest	High	Low	Prev.
Jun	92.28	92.31	92.26	92.32
Sep	92.01	92.04	91.99	92.05
Dec	91.73	91.76	91.70	91.76
Mar	91.50	91.52	91.48	91.52
Jun	91.28	91.31	91.27	91.31
Sep	91.11	91.13	91.09	91.12
Dec	90.96	90.97	90.92	90.96

STANDARD & POORS 500 INDEX $500 times index

	Latest	High	Low	Prev.
Mar	247.50	247.80	246.70	249.25
Jun	-	249.10	248.30	250.70
Sep	250.30	250.30	250.30	252.25

MONEY MARKETS

UK rates steady

INTEREST RATES were barely changed from Tuesday in the London money market yesterday. Longer term rates had shown a slightly softer tendency earlier in the day as fears of an imminent rise in base rates receded.

However rates hardened a little in the afternoon in rather feautureless trading as eyes tended to focus on today's release of money supply and bank lending figures. Three-month interbank money was lower at 8 15/16-8 13/16 p.c. compared with 9-8⅞ p.c., while the one year rate finished unchanged at 9 5/16-9 3/16 p.c.

UK clearing bank base lending rate 8½ per cent from December 4

The Bank of England forecast a shortage of around £700m with factors affecting the market including the repayment of late assistance and bills maturing in official hands together with a take up of Treasury bills draining £81m and Exchequer transactions a further £425m. There was also a rise in the note circulation of £60m and banks brought forward balances £110m below target.

The forecast was revised to a shortage of around £550m and the Bank gave assistance in the morning of £137m through outright purchases of £16m of eligible bank bills in band 1, £30m in band 2, £8m in band 3 and £83m in band 4, all at 8⅜ p.c.

A further revision took the forecast to a shortage of around £500m, before taking into account the morning help, and the Bank gave additional assistance in the afternoon of £375m through outright purchases of £264m of eligible bank bills in band 1, £15m in band 2, £21m in band 3 and £75m in band 4, all at 8⅜ p.c. Total help came to £512m.

The rate on the Bank's temporary lending facility to the market for one week, rolled over yesterday, was fixed at 8 7/16 p.c. while the rate for the rest of the period was set at 8⅝ p.c.

In Frankfurt, call money was lower, as short term liquidity levels were boosted by the failure of corporate tax payments to clear the system. This more than offset a slight draining caused by some DM4.8bn being allocated at the Bundesbank's latest Treasury sale and repurchase auction in contrast to a maturing facility of DM6.2bn.

The relatively short 14-day maturity date of the new agreement was seen by dealers as attempt by the authorities to retain some degree of flexibility with regard to controling short term liquidity levels. This was primarily a reflection of the Bundesbank's concern over the dollar.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK (Lunchtime)

LONDON MONEY RATES

Company Notices

Company Notices

Legal Notices

SALMON MARCUS LIMITED

David Miles Middleton of Cork Gully, Archbold House, Archbold Terrace, Newcastle upon on Tyne, NE2 1DQ was appointed Administrative Receiver of Salmon Marcus Limited (Registered No. 0145 4557) by Lloyds Bank plc on 7 January 1988.

Dated 12 January 1988 D M MIDDLETON
Administrative Receiver.

TICKHILL GARDEN CENTRES LIMITED

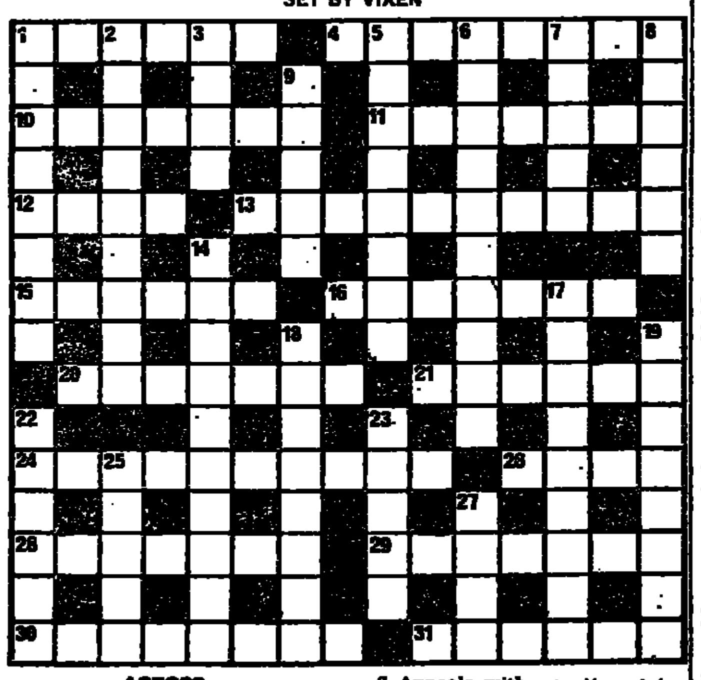
Notice is hereby given that a meeting of creditors in the above matter is to be held at Earl of Doncaster Hotel, Bennetthorpe, Doncaster DN2 6AD on the fourth day of February at 12.00 noon to consider my proposals under S.23(1) of the Insolvency Act 1986 and to consider establishing a committee of creditors.
D J Stokes
Administrator
14 Cross Burgess Street
Sheffield
S1 1QA
A copy of my proposals may be obtained from 14 Cross Burgess Street, Sheffield, S1 1QA

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT CROSSWORD No.6,535

SET BY VIXEN



ACROSS

1 Standing about to deposit a note (6)
4 Anything but simple enclosure (8)
10 Tree maintenance (7)
11 A looker round (7)
12 A number brought in to help will be acrimonious (4)
13 The new scent is not true to type (10)
15 Entrances for church members (6)
16 Trim sailors – one in a score (7)
20 Certain publicity about craft at the riverside (7)
21 Some big ram men may judge by its weight (6)
24 Odd characters, all singing and gesturing (10)
26 Having the resources, a clever person backed the French (4)
28 Inca – far different from other people (7)
29 Once reporters could be really speedy (7)
30 Try a ruse to break the bank (8)
31 Popular nurse, though mean (6)

DOWN

1 Detailed study may be made of cars here (8)
2 Champions of pithead workers (9)
3 An upsetting journey? (4)
5 Foreign love poetry has a point (8)
6 Appeals with an attempt to make a joke (10)
7 The custom of the superior luminary (5)
8 Stretch and cover up before preparing tea (6)
9 Course taken by a singer (5)
14 Only patient travellers use such transport (10)
17 Half-trains the first mate, note (9)
18 A German put back nothing right, being in drink (8)
19 Rush about the fields when set free (8)
22 Doubtfully interrogate a social worker (6)
23 Article raising support for gold coinage (5)
25 A shrub flowering in spring or September (5)
27 Turn the page in error (4)

Solution to Puzzle No.6,534

SECONDNATURE
S P R A L N S U
THINNER LAMBKIN
A S A T R A I I
TOTEM COGNOMEN
I L E C U O T
OCEANGOING ISLE
N T L D S L
MAIN BLUEPENCIL
A M A R D U I
SEPARATE ICING
T R A E I T R E
ERECTOR BRITAIN
R S A A I O S T
TONELESSNESS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac	26.3	28.0	-0.2	–
Do. Income	26.2	27.9	-0.1	0.19
Scimitar European Acc	20.9	22.3	-0.3	–
Do. Income	20.9	22.3xd	-0.3	0.11
Scimitar UK Eq Inc Acc	35.1	37.8	-0.5	–
Do. Income	33.6	35.4	-0.5	5.95
UK Cap Gth Acc	22.2	23.4	-0.4	0.78
Scimitar Pac Basin Acc	25.4	27.1	–	–
Scimitar Mngd Exempt*	137.1	142.9xd	+3.0	–

*Unauthorised

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-556 1053

Initial Income Units	125.0	131.8	–	3.97
Initial Accum Units	192.5	204.8	–	3.27
UK General Acc	36.7	39.2	-0.4	3.11
UK General Inc	35.3	37.8	-0.3	3.11
American	25.6	27.4	-0.2	0.98
European	33.1	35.4xd	-0.8	0.94
Japan	32.9	35.4	–	–
Technology	33.6	35.9	-0.3	1.42
Performance Trusts				
Far East Perf Tst	17.0	18.2	-0.2	0.64
High Inc Perf Tst Inc	23.6	25.0	-0.1	5.37
High Inc Perf Tst Acc	23.8	25.5	-0.1	5.37
Worldwide Tech Perf Tst	26.6	28.5	-0.2	–

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK Equity)	202.6	216.7	-2.1	2.77
Columbus (America)	122.2	130.8	-2.5	1.41
Marco Polo (Pacific)	196.9	210.6	-0.5	0.37
Da Vinci (European)	206.5	220.9	-2.3	1.87
Drake	49.7	53.2	-0.2	2.71

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294942

Life Assurance Funds				
Wealth Assoc.	371.5	391.2	—	–
Eb'r Ph. Eq.	334.1	356.5	+22.1	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	158.7	167.0	-1.8	–
International Acc.	120.4	126.7	-1.5	–
Property Acc.	122.0	128.4	—	–
Fixed Interest Acc.	148.5	156.3	—	–
Money Acc.	135.2	142.3	—	–
Bldg. Soc. Link Acc.	132.3	139.2	—	–
Special Mngd. Acc.Q	140.5	147.8	-1.2	–
Phoenix/Framlington				
Intnl. Growth Acc.	82.4	86.7	+0.2	–
Amer. & Gen. Acc.	75.6	79.5	-0.4	–
Capital Tst. Acc.	172.0	181.0	-0.3	–
Japan & Gen Acc.	167.1	175.8	-1.0	–
American Turn. Acc.	74.3	78.2	-0.5	–
Recovery Tst. Acc.	161.3	169.7	+0.2	–
Special Mngd Acc.	135.6	142.7	-0.1	–
Phoenix/ET				
International Acc.	121.6	128.0	+0.3	–
US & General Acc.	88.5	93.1	-0.2	–
Amer Spec Sits Acc.	60.9	64.1	-0.3	–
Japan & General Acc.	158.0	166.3	—	–
Far East & Gen. Acc.	130.4	137.2	-0.3	–
UK Capital Acc.	165.3	174.0	-0.6	–
European Acc.	130.5	137.3	+2.4	–
Special Mngd. Acc.	120.9	127.2	+0.1	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.7	276.6	+0.4	–
Man Pens Inc & Cap Fen	337.0	354.8	+1.9	–
Money Fund	110.9	116.8	+0.1	–
Pens. Mngd Fd (Init)	84.3	88.8	-0.2	–
Pens Mngd Fd (Acc)	94.1	99.1	-0.1	–
Pens FT30 Fd (Init)	127.5	134.3	+2.4	–
Pens FT30 Fd (Acc)	142.3	149.8	+2.7	–
Pens O'seas MgFd(Init)	51.8	54.6	+2.6	–
Pens O'seas MgFd(Acc)	57.8	60.9	+2.9	–
Pens Fxd Int Fd (Init)	105.8	111.4	+1.0	–
Pens Fxd Int Fd (Acc)	118.2	124.5	+1.4	–
Pens Deposit Fd (Init)	100.6	105.9	—	–
Pens Deposit Fd (Acc)	112.4	118.4	+0.2	–

Premium Life Assurance Co Ltd
Eastchester House, Haywards Heath 0444 458721

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 01-405 9222

Prufund				
Managed Jan 20	193.1	201.2	+1.3	–

Prudential Holborn Life Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed Fd.	422.0	444.3	-3.1	–
Equity Fd.	862.5	907.9	-8.5	–
Intnl Fd.	290.0	305.3	-2.5	–
Fixed Int. Fd.	354.0	372.7	-0.9	–
Prop. Fd.	299.9	315.7	—	–
Cash Fd.	232.9	245.2	—	–
Pacific Basin Fd.	156.9	165.2	—	–
North American Fd.	115.4	121.5	+2.8	–
European Fd.	130.4	137.3	-0.8	–
Holborn Balanced Gwth Fd	–	–	—	–
Holborn Strategic Gwth Fd	–	–	—	–

Prudential Holborn Pensions Ltd
Portland Hse, Stag Place, Ldn SW1E 5BH 01-630 1661

Managed	447.5	471.1	-3.4	–
Equity	639.2	672.9	-7.1	–
Global Equity	183.1	192.8	-1.8	–
Fixed Interest	362.4	381.2	-0.3	–
Property	299.7	315.5	+0.1	–
Cash	137.0	144.3	—	–
Index Linked Gilt	155.6	163.8	-0.7	–
Guaranteed	9.25	10.25	—	–
International Money	186.6	196.5	+0.6	–
North American Fd.	52.5	55.3	-0.9	–
Japanese Fund	106.7	112.6	+0.8	–
European Fund	68.4	72.0	-0.6	–
Special Situations Fd	92.6	97.5	-1.0	–
Communications Fund	78.3	82.5	-1.2	–
Smaller Cos Fund	94.8	99.82	-0.3	–

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

Discretry. Jan 13	£118.09	121.61	—	–
Equity Fund Jan 13	£127.76	131.64	—	–
Intnl Fund Jan 13	£19.29	19.93	—	–
Intl Bond Fd Jan 13	£10.09	10.24	—	–
Fixed Int Jan 13	£64.24	65.07	—	–
Index Linked Jan 13	£47.15	47.72	—	–
Property Fund Jan 13	£76.97	81.68	—	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102¼	99⅝	Exch 10½pc '88	100⅛		10.45	8.87
101⅝	98¾	Treas 9¾pc Cv '88	100⅛		9.73	9.05
98½	93¼	Transport 3pc '78–88	98½	+¼	3.05	6.40
101⅝	98¾	Treas. 9½pc '88	100⅛	+⅛	9.48	9.12
105⅝	101¼	Treas 11½pc 1989	102⅛xd		11.24	9.19
102¼	97⅞	Treas 9½pc Cnv 1989	100⅛		9.47	9.19
96¼	89¼	Treas 3pc 1989	95¼		3.14	6.58
104⅝	99⅝	Treas 10½pc 1989	101½	+⅛	10.34	9.28
103¼	98½	Exch 10pc 1989	100⅞xd	+⅛	9.90	9.30
105⅞	100¼	Exch 11pc 1989	102⅛	+⅛	10.74	9.35
96¼	89⅞	Treas 5pc 1986–89	95⅝	+⅛	5.23	7.76
108¾	99⅝	Exch 10½pcCv '89	102⅝	+⅛	9.99	8.67
111¾	104⅝	Treas 13pc 1990‡‡	106⅝	+⅛	12.20	9.28
106½	100⅝	Exch 11pc 1990‡‡	103⅛xd	+⅛	10.67	9.33
110¼	103⅞	Exch. 12½pc 1990	106	+⅛	11.79	9.37
92⅝	84½	Treas. 3pc 1990	91¼	+⅛	3.28	7.09
100¼	93⅞	Treas 8¼pc 1987–90‡‡	98⅛		8.38	8.98
52½	50	Tr. 8pc Cv 1990 (50pd)	51⅛	–⅛	8.16	8.90
105	97½	Treas. 10pcCv 1990	101⅝	+⅛	9.86	9.36
91¼	81¼	Exch 2½pc 1990	89¼	+⅛	2.81	6.77
110½	102⅝	Treas 11¾pc 1991	105⅝	+⅛	11.09	9.39
95¼	87½	Funding 5¾pc '87–91‡‡	93	+⅛	6.19	8.30
90¼	80½	Treas. 3pc 1991	88	+⅛	3.41	7.18
110½	98½	Treas 10pc Cv '91 ‡‡	102⅝	+⅛	9.72	9.00
109⅝	101⅛	Exch. 11pc 1991	104⅝	+⅛	10.49	9.40
99	91⅛	Treas. 8pc 1991	95⅝	+⅛	8.34	9.28
116⅝	107¼	Treas 12¾pc 1992‡‡	110⅞xd	+⅛	11.51	9.45
106¼	97⅝	Treas 10pc 1992	101⅞xd	+⅛	9.81	9.41
99⅞	90⅝	Treas. 8pc 1992 ‡‡	95⅝	+⅛	8.39	9.38
108⅝	99½	Treas 10½pc Cv 1992‡‡	103⅝	+⅛	10.13	9.43
86⅝	79¼	Treas. 3pc 1992	84⅛		3.56	7.26
115⅞	105⅝	Exch. 12¼pc '92	109⅞xd		11.13	9.50
121¼	110⅞	Exch 13½pc 1992	114⅝	+⅛	11.79	9.56

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS – Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	21	Rep NY Corpn $5	25	–⅛	$1.16	–	2.5
18¾	8¾	Rockwell Intl. $1	9⅞	–¼	66c	–	3.8
30⅞	16¼	Sara Lee $1(1/3)	20⅞xd	+⅛	$1.00	–	2.7
11⅝	8¾	Saul (B. F.) $1	9⅞xd	–⅛	20c	–	1.2
27⅝	21⅛	Southwestern Bell $1	20⅝	–⅛	$2.32	–	6.3
22⅞	994p	Staley Continental	12¼		80c	–	3.6
44⅞	21⅝	Sun Co. Inc. $1	29⅝	+⅛	$3.00	–	5.6
42¼	22⅞	TRW Inc. $0.625	26⅝	+⅛	$1.60	–	3.3
37⅝	21	Tenneco $5	22⅛xd	–⅛	$3.04	–	7.5
220	149½	Do. 10pcLn.Stk. 91–5	155		10%	–	14.7
29⅝	15⅝	Texaco $6.25	21¼	+⅛	$3.00	–	7.7
74⅞	36⅞	Time Inc. $1	46⅞	+⅜	$1.00	–	1.2
30⅞	15	Transamerica $1	17⅝	–⅛	$1.84	–	5.7
14⅝	1¼	Transworld Corp $5	844p	+5	20c	–	1.3
27⅝	12¼	TRINOVA Corp.	17	–¼	56c	–	1.8
24⅞	12⅝	♦USX $1	17⅞	–⅛	$1.20	–	3.7
37⅝	16⅞	Utd. Technologies	19⅞	–⅛	$1.40	–	3.9
38⅝	25⅞	US West‖	28½	–⅛	$3.28	–	6.3
30⅞	17⅛	Waste Management $1	20¼	–⅛	–	–	–
31⅞	11⅝	Whirpool $1.0	14¼	–¼	–	–	–
37⅝	16½	♦Woolworth $3½	28⅝	–¼	$1.32	–	3.5

CANADIANS

1987/88 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
691p	227p	ABM Gold Corp ‖	277p	–13	–	–	–
26¼p	10p	♦Abbot Energy Corp.	17½p		–	–	–
18⅝	506p	♦Amer. Barrick Res.	11¼		–	–	–
141p	4p	American Lightwave	5p		–	–	–
122p	33p	♦Armeno	46p		–	–	–
117p	39½p	Augustin Expln.	76p	+3½	–	–	–
19⅝	10⅝	Bk. Montreal ‖	11½	–¼	$2.00	–	7.2
10⅝	488p	Bk. Nova Scot.‖	582p	–4	72c	–	5.2
20⅝	15	BCE ‖	15⅞	–¼	$2.40	–	6.3
10⅝	511p	♦Bow Valley‖	651p	–11	♦40c	–	2.6
20	10⅛	♦Brascan‖	11	–⅛	88c	–	3.3
609p	186p	♦Breakwater Res.	197p		10c	–	2.1
11⅝	734p	Can.Imp.Bk. $2	847p	–24	$1.08	–	5.3
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS – Contd

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Gr's	P/E
335	161	Harris [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SHARE SERVICE

INSURANCES — Contd

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
516	300	Pearl Group 5p	435	–4	[illegible]	–	[illegible]	–
[illegible]	733	Prudential	942	–5	[illegible]	–	4.5	–
598	350	Refuge 5p	438	–5	15.75	–	4.9	–
595	345	Royal	407	–2	[illegible]	–	3.2	–
110	65	Saltire Ins. Inns	78	–2	–	–	–	–
[illegible]	168	Sedgwick Group 10p	[illegible]	+2	12.0	1.7	7.2	[illegible]
339	138	Steel Burrill J.10p	161	+1	[illegible]	2.0	7.7	[illegible]
612	303	Stenge Hldgs 20p	[illegible]	[illegible]	[illegible]	♦	2.4	♦
[illegible]	645	Sun Alliance	[illegible]	–5	[illegible]	–	3.9	–
[illegible]	865	Sun Life 5p	[illegible]	+25	[illegible]	–	[illegible]	–
[illegible]	[illegible]	Taisho M. EDR	[illegible]	[illegible]	[illegible]	–	1.0	–
[illegible]	[illegible]	Torchmark $1.00	[illegible]	[illegible]	[illegible]	–	3.7	–
420	255	Trade Indemnity	367	–	[illegible]	–	1.6	–
[illegible]	[illegible]	Travelers $1.25	[illegible]	–	[illegible]	–	6.1	–
[illegible]	[illegible]	USF & G Corp $2.50	[illegible]	[illegible]	[illegible]	–	7.7	–
[illegible]	[illegible]	USLIFE Corp. $1.0	[illegible]	[illegible]	[illegible]	3.2	4.3	7.3
730	525	Unit Friendly B 10p	[illegible]	+15	21.0	–	5.1	–
464	192	Willis Faber 12½p	295	+1	[illegible]	2.4	6.5	8.9
128	41	Windsor Secs. 10p	[illegible]	+5	0.3	♦	1.8	♦

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING — Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES — Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES — Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

IRISH

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates			
Option			
*First Dealings	Declarations	Last Dealings	Account Day
Dec 21	Jan 7	Jan 8	Jan 18
Jan 11	Jan 21	Jan 22	Feb 1
Jan 25	Feb 4	Feb 5	Feb 15

*New time dealings may take place from 9.00 am two business days earlier.

Programme trades help push equity sectors lower but Gilts recover ground

THE UK STOCK market, continuing its search for something to worry about, fell back again yesterday as renewed concern over the US trade deficit turned the dollar downwards again. However, rumours of attacks on the validity of the last week's US trade figures in the Washington press proved unfounded and London's Gilt-edged sector had a steady, if unexciting, session.

There was increased selling of the international stocks at mid-morning when the pound moved above $1.79, and a batch of trading programmes was activated. At worst, the market was down by nearly 20 FT-SE points, and a dull start on Wall Street hindered attempts to rally.

At the close, the FT-SE 100 Index was 15.2 points down at 1752.8. The programme trades helped to swell volume levels - at 5.00pm, the Seaq system had traded 445.3m shares, about one third up on Tuesday's session.

Friday brings the end of a fairly lively equity market trading account. Analysts pointed out that the market had bounced yesterday at FT-SE 1749 after topping out at 1800 on Monday - indicating that a 50 point trading range has been established. Yesterday's rally was signposted by a move to a 6 point premium in the FT-SE 100 March Futures Contract on the London International Financial Futures Exchange.

Traders claimed that three UK securities houses had operated trading programmes - supposedly Morgan Grenfell, Barclays de Zoete Wedd, and Smith New Court - but there was no confirmation from the firms concerned. Most deals were sales.

Among the internationals, **Shell, ICI, Unilever and BAT Industries** again took the brunt of the fall as renewed dollar weakness threatened their US operations.

While the picture was generally gloomy, the market found some encouragement towards the close from an independent asset valuation at Britoil, which exceeded the City's most glittering expectations.

This is presumed to be the curtain-raiser for Britoil's defence document, to be published next week, against BP's £2bn plus bid.

The latest downswing in the equity market has in no way discouraged the speculative fever on the energy sector, which was featured yesterday by heavy turnover in Ultramar.

Speculators were also busy on the banking pitch, where bid talk has begun to circulate among the domestic high street banks. Retail shares, which have been under a cloud since the Christmas season made a slow start, attracted some selective interest.

Government bonds made cautious recovery from the selling bout suffered late on Tuesday, which was continued on the *Tokyo market. Suggestions that the Japanese had switched tack* and sent buying orders to London yesterday morning were scouted by Warburg Securities, a major player in the international market in Gilts. However, local buyers enabled the market to consolidate its early gains.

With the rumours surrounding last week's US trade figures swiftly scotched, long-dated Gilts closed with gains of around ½ point. The two tranchettes of stock on offer at the bank - 9½ per cent Conversion '05 and 8 per cent Treasury '05 - were not activated, although prices crept to within ⅛ or so of the last levels at which stock was sold by the Bank.

Near-dated Gilts added ⅛ or so as fears of an imminent rise in bank base rates subsided. Index-linked stocks were fairly buoyant, with investors switching towards the longer end, where prices added about ⅛. Traders said the IL stocks were bought purely on yield considerations, rather than as inflation hedges - the sector was encouraged by the absence of any IL tranchettes among the Bank's £450m offer earlier in the week.

The Gilts sector awaits today's disclosure of the UK money supply statistics for December. Attention will focus on the UK bank lending total, which the market predicts at around £3¾bn. Some estimates range to £5bn, but any figure above this would upset the credit markets.

Britoil regained pole position in the oil sector and surged ahead to 475p before closing a net 19 higher at 473p after news of the drilling success on Block 9/23b and the independent asset valuation of the company by Robertson ERC. The oil discovery - the largest in the North Sea for several years according to Britoil - was widely expected and it was the 699p a share asset valuation that triggered the latest leap in the share price. Turnover in Britoil was 7.4m shares.

The Britoil news also boosted other oil shares, not least **Enterprise**, up 6 to 290p and **LASMO**, a like amount up at 320p.

Turnover in **BP** expanded with some 4.8m of the "old" changing hands - the shares closed unaltered at 252p - while the "new", where in excess of 10m moved through the system, settled a penny easier at 74p despite talk that the Kuwait Investment Office may have moved back into the market to pick up stock on a minor scale.

Business in **Ultramar** expanded rapidly to 7.9m shares amid strong rumours that a stake is being accumulated; the share price was finally unchanged at 218p. It was rumoured recently that approaches had been made to Sir Ron Brierley offering to buy his near 13 per cent stake in Ultramar at 250p a share. **Tricentrol** hardened 2½ to 162½p with dealers awaiting the asset valuation, also being carried out by Robertson ERC; Elf is expected to lift its offer by around 10 per cent from the original offer of 145p a share.

Matthew Clark, the wine and spirits distributor, failed to significantly extend its recovery after analysts took conflicting views of the Martell situation. Mr Colin Davies, County NatWest researcher, agrees with the Matthew Clark chairman that the implications of the possible loss of the Martell distribution contract have been overestimated. But analysts at Scrimgeour Vickers believe that the shares must be overshadowed by the uncertain future of the French brandy group. Matthew Clark closed 2 higher at 340p.

The clearing banks generally made further progress despite widespread reports that further major provisions against third world debts will be announced when the banks declare their preliminary results in February.

Lloyds continued to attract substantial buying interest with most of the action being carried out via the inter-dealer broking system; the shares edged up 2 to 263p, after 265p on a turnover of more than 4m shares. **Midland** were not far behind and rose 10 to 400p on a turnover of 3m shares.

Standard Chartered - cleared by a Bank of England investigation into the defence of the Lloyds bid in 1986 - saw a buyer of 250,000 shares late in the session and the share price added 15 at 525p.

In life assurances **Abbey Life** settled 2 off at 244p in substantial two-way trade which saw over 5.5m shares change hands after new life business figures regarded as exceptionally good by dealers. **Sun Life** jumped ¼ to £10⅜ still boosted by the recent good new life numbers.

Guinness shares fell further as its legal travail continued. The group confirmed further buy-in purchases of 1.6m shares on Tuesday and, with several larger deals passing through the SEAQ system yesterday, was widely believed to have again bought stock. Guinness shares slipped to 286p before closing 8 down on the day at 289p. **Bass** drew renewed support and gained 11 to 795p but other Breweries followed the general downturn. **Buckley's** gave up 6 at 193p while cidermaker **H.P.Bulmer** lost a similar amount to 153p.

Blue Circle resisted the downward trend, rising 7 to 425p in a volume of some 3.3m shares. Inevitably the improvement gave rise to a revival of bid talk following recent City suggestions that Hanson had been behind the recent abortive dawn raid.

Birmid Qualcast, currently in receipt of an unwelcome cash offer of 300p per share from BCI, advanced 10 to 334p on speculation that the latter will have to increase its terms. Some commentators are looking for a new cash and shares bid.

The fall in US housing starts were worse than some London traders had been expecting and prompted a slightly easier trend in selected Building issues with American interests such as **Redland**, down a shade at 437p, and **Ibstock Johnsen**, 2 lower at 165p, after having touched 170p at one stage. Elsewhere in the Building sector, bid speculation left **Baldwin** 17 to the good at 105p while **Copson** firmed 7 to 130p in response to the good interim figures. **Turriff**, thought to have been oversold, moved up 9 to 272p on small buying in an extremely thin market.

Chemicals were featured by a fresh reaction in **ICI** which closed ¾ down at £10⅝ in the wake of the setback in the dollar.

The stores sector included a number of firm features as at least three leading securities houses were thought to have adopted a more positive stance on some of the leading high street retailers.

Worries over the 1.1 per cent decline in retail sales in December were easily outweighed by expectations of a tax cutting budget and **Marks and Spencer** led the sector higher with a 5 gain at 185p after a turnover of 8.6m shares; M & S were additionally helped by Press comment. Talk of a substantial overseas buyer order in **Dixons** saw the shares advance 5 to 190p, after 192p with 5.6m shares moving through the system. **Sears** progressed to close 3 higher at 136p, with the company looking assured of success in its bid to win control of the Freemans mail order group according to dealers. **GUS "A"** closed little changed at £10¼ with a large selling order said to have been readily absorbed by the market.

Elsewhere, **Body Shop** continued its remarkable advance, closing a further 30 higher at 915p, after 925p, still buoyed by the recent excellent results.

A busy session in the leading electricals showed **Cable & Wireless** a further 8 lower at 355p on a turnover of 5.2m shares in the wake of "sell" recommendation by Warburgs the securities house.

Racal, reporting interim results on Tuesday, dipped 5 to 231p while **Plessey**, where around 2.5m shares changed hands, lost 4 to 153p. **Microgen** slumped 32 to 277p as recent strong buying of the shares ahead of yesterday's preliminary figures was reversed; the results were broadly in line with forecasts but dealers reported persistent selling of the shares from around the 300p level to 275p.

Leading Engineers rallied to close well above the worst.

Reflecting the trend, **Hawker** fell away to 465p mainly on currency influences before closing only a few pence easier on the day at 472p. **Vickers** settled 4 cheaper at 164p. Quite a brisk trade developed in **Rolls Royce** (some 2.1m shares changed hands) before a close of 129p, down 3.

The uncertain market climate enabled the Food sector to display its basic defensive qualities. Most leading issues recorded only modest losses while **Northern Foods**, long regarded as a potential bid situation, performed better and the shares moved higher in thin trading to settle 8 up at 265p.

International stocks weakened afresh in the wake of the fall in the dollar and a further setback in the early dealings on Wall Street yesterday. **Glaxo** lead the retreat with a reaction of ⅜ at £10⅛ while **BOC** gave up 13 to 382p. **Beecham** remained under pressure and gave up 7 further to 453p in a volume of some 3.3m shares; the company announced yesterday a reorganisation of top management in its pharmaceuticals division. **Wellcome** fell away to 379p before closing 8 off on balance at 384p following the chairman's warning that the recent depreciation of the dollar will have an adverse impact despite the continued strength of the company's underlying trading. **Pilkington** fell away to close 7 cheaper at 233p in a trade of around 3.2m shares as recent BTR bid hopes began to fade.

Among some of the other dollar sensitive stocks, **British Aerospace** gave up 6 to 345p while **Bank Organisation**, a particularly good market of late on buying in anticipation of the preliminary figures expected shortly, eased 6 to 607p. **London International** fell 7 further to 275p and **Fisons** gave up 8 to 263p.

Preliminary results from **First Leisure** were at the top end of analysts' forecasts and the shares touched 519p before coming off to close a net 4 higher at 517p. Interim profits from **Stanley Leisure** - these were £1.63m against £1.3m - saw the shares marked up to 245p prior to closing a fraction up at 240p.

Lucas Industries suffered further from the withdrawal of recent buyers. Sales were relatively light but with market-makers showing little enthusiasm to take stock on their books after the recent good advance, the price wilted again to end 17 lower at 593p. US currency influences affected **Jaguar**, down 9 at 324p, but not **Lex Service**, which rose 5 to 322p. Impressive trading statements helped **Spice**, which unveiled both increased profits and a higher dividend payment to close 3 firmer at 173p, after 177p. **Lookers** responded to good results and a one-for-one scrip issue with a rise of 4 to 276p.

Courtaulds succumbed to downward pressures emanating from the declaration yesterday of traded option contracts and lost 10 to 332p; US dollar considerations were also a factor. **Allied Textile**, on the other hand, rose 10 to 340p in reply to a good preliminary statement. Annual profits of £9.6m were comfortably above market estimates which ranged from £8.5m to £9m.

Overseas Traders were one of the more resilient sectors. **Inchcape**, still reflecting recent "buy" recommendations, improved 5 further to 654p while **Lonrho**, at 271p, enjoyed increased attention ahead of next Thursday's annual results; analysts are looking for profits in the region of £190m to £200m. **James Finlay** emerged from a spell of inactivity as bid hopes flourished and settled 5 higher at 90p. **Polly Peck** were quoted ex the scrip issue at 273p.

Business in traded options expanded with 22,537 calls and 16,204 puts giving an aggregate of 38,741 contracts. **GEC** attracted a much increased turnover with 2,073 calls and 2,922 puts. The much higher than expected asset valuation of Britoil by independent consultants Robertson ERC and hopes of a counter bid from Atlantic Richfield triggered strong demand for **Britoil** where there were 1,708 calls and 1,132 puts. Puts in **British Gas** totalled 2,745 against 796 calls, while **Pilkington**, still the subject of takeover speculation encouraged 1,010 calls and 282 puts.

Traditional Options

- **First dealings Jan 18**
- **Last dealings Jan 29**
- **Last declarations Apr 21**
- **For Settlement May 3**

For rate indications see end of London Share Service

Dealers reported a quieter day in the Traditional option market. Stocks to attract money for the call included **Control Securities, Theme Holdings, Micro Focus, Rivlin, BOM Holdings, London and Manchester Assurance and Amalgamated Financial**. A put was arranged in **Amstrad**, but no double options were reported.

FINANCIAL TIMES STOCK INDICES

	Jan. 20	Jan. 19	Jan. 18	Jan. 15	Jan. 14	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	88.35	88.19	88.43	87.96	87.56	85.80	93.32 (8/5/87)	83.73 (29/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	94.51	94.44	94.42	94.55	94.44	92.71	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1409.2	1423.0	1440.1	1436.7	1398.7	1386.7	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	281.3	284.1	283.4	294.5	284.1	328.0	497.5 (4/8/87)	261.6 (6/11/87)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.43	4.39	4.33	4.33	4.45	4.12				
Earnings Yld. %(full)	11.11	10.99	10.85	10.83	11.14	9.66				
P/E Ratio (net)(*)	11.03	11.15	11.30	11.32	11.00	12.68				
SEAQ Bargains (5pm)	23,393	23,749	29,870	27,832	20,191	34,294				
Equity Turnover (£m)	-	1074.60	991.43	1092.37	990.56	1184.17				
Equity Bargains	-	26,504	31,655	26,753	21,104	45,651				
Shares Traded (ml)	-	352.1	436.3	431.8	314.2	441.7				

S.E. ACTIVITY

Indices	Jan.19	Jan.18
Gilt Edged Bargains	124.5	138.5
Equity Bargains	171.7	205.1
Equity Value	2172.0	2003.9
5-Day average		
Gilt Edged Bargains	130.5	125.9
Equity Bargains	166.7	165.1
Equity Value	2024.2	1932.5

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1416.6	1415.5	1416.4	1406.9	1407.0	1406.7	1406.3	1409.3

Day's High 1420.6 Day's low 1404.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974. * Nil=10.92.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-0898 123001

NEW HIGHS AND LOWS FOR 1987/88

NEW HIGHS (3). BRITISH FUNDS (1) Transport 3pc 1978-88, BREWERS (1) Macallan-Glenlivet, ENGINEERING (1) Birmid Qualcast.

NEW LOWS (16). BANKS (1) Benchmark, CHEMICALS (1) BASF AG, ELECTRICALS (4) ITL Information Tech., INSTEM, Philips Lamp, Ross, FOODS (1) Dalepak Foods, LEISURE (1) Prism Leisure Corp, PROPERTY (1) Claymore, TRUSTS (3) [illegible] Adv. Tst., Mid Wynd Inv. Tst., New Darien Oil Tst., MINES (3) St. Helena, Emporer Mines, Ayer Hitam, THIRD MARKET (1) Comac Group.

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Jan 20 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Tue Jan 19 Index No.	Mon Jan 18 Index No.	Fri Jan 15 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (208)	737.94	-0.8	9.74	3.92	12.88	0.15	743.60	749.53	743.69	745.28
2	Building Materials (30)	973.58	-0.9	10.07	3.86	12.34	0.43	982.81	991.68	982.49	907.09
3	Contracting, Construction (33)	1436.53	-0.5	9.37	3.49	14.16	0.38	1444.05	1434.80	1425.97	1278.36
4	Electricals (12)	2038.95	-0.2	9.15	4.74	14.16	0.00	2043.36	2062.15	2040.27	1913.47
5	Electronics (32)	1518.99	-0.7	10.51	3.42	12.42	0.00	1530.06	1540.24	1530.44	1647.80
6	Mechanical Engineering (57)	381.76	-0.6	9.76	4.32	12.93	0.14	383.93	387.36	386.79	427.95
8	Metals and Metal Forming (7)	448.97	-0.2	9.59	3.73	12.58	0.00	450.05	454.18	455.15	392.67
9	Motors (13)	274.77	-1.1	10.94	4.23	10.63	0.00	277.71	284.28	281.00	291.21
10	Other Industrial Materials (24)	1247.81	-1.1	8.35	4.16	14.22	0.13	1261.31	1273.68	1254.77	1259.99
21	CONSUMER GROUP (185)	1028.67	-0.5	8.62	3.54	14.78	0.28	1034.25	1043.82	1043.30	999.68
22	Brewers and Distillers (21)	976.39	-0.5	11.37	4.04	11.16	0.02	981.57	990.13	990.34	945.01
25	Food Manufacturing (23)	838.76	-0.7	9.18	3.84	13.97	1.06	844.42	853.23	856.59	765.97
26	Food Retailing (16)	2064.96	-0.7	7.80	2.97	17.03	0.00	2079.09	2078.46	2108.18	1958.07
27	Health and Household Products (10)	1750.67	-1.7	6.71	2.57	17.79	0.00	1780.87	1807.61	1806.09	1792.71
29	Leisure (31)	1175.88	-0.3	7.79	4.00	16.00	0.00	1179.89	1183.22	1176.47	1056.05
31	Packaging & Paper (16)	496.38	-0.4	8.62	3.70	15.27	0.24	498.60	503.71	500.64	541.58
32	Publishing & Printing (16)	3398.91	-0.8	6.55	4.34	19.29	3.39	3426.23	3494.24	3468.94	3065.58
34	Stores (35)	841.76	+0.8	8.95	3.60	14.98	0.01	834.85	839.35	834.86	857.19
35	Textiles (17)	582.84	-1.4	11.25	4.01	10.25	0.00	591.10	606.35	598.52	593.39
40	OTHER GROUPS (92)	862.61	-1.5	10.65	4.27	11.68	0.03	875.31	888.35	884.12	859.37
41	Agencies (19)	1099.28	-0.9	6.61	2.17	19.39	0.07	1109.78	1123.47	1116.28	1189.81
42	Chemicals (20)	1056.91	-1.9	9.66	4.43	12.71	0.14	1077.89	1100.48	1118.82	1104.36
43	Conglomerates (13)	1148.48	-2.3	10.35	4.54	11.10	0.00	1175.62	1197.47	1186.22	1147.31
45	Shipping and Transport (11)	1807.69	-0.7	9.25	4.54	14.17	0.00	1819.64	1830.72	1818.62	1657.08
47	Telephone Networks (2)	917.99	-0.8	11.73	4.61	11.35	0.00	925.40	938.08	923.91	863.48
48	Miscellaneous (27)	1145.76	-1.7	13.17	4.12	9.05	0.00	1165.84	1180.05	1173.31	1174.49
49	INDUSTRIAL GROUP (485)	918.64	-0.8	9.46	3.84	13.31	0.17	926.49	936.20	932.88	907.47
51	Oil & Gas (15)	1714.01	-0.1	9.70	5.74	12.72	0.00	1715.22	1743.19	1739.16	1591.05
59	500 SHARE INDEX (500)	986.85	-0.7	9.50	4.12	13.22	0.16	993.34	1004.60	1001.22	965.38
61	FINANCIAL GROUP (124)	653.72	-0.1	-	4.81	-	0.11	654.15	660.64	658.74	645.41
62	Banks (8)	672.24	+0.5	19.70	5.84	6.71	0.00	668.65	673.01	674.88	718.69
65	Insurance (Life) (8)	971.86	-0.6	-	4.73	-	0.00	977.60	985.91	975.67	903.34
66	Insurance (Composite) (7)	504.28	-0.6	-	5.46	-	0.00	507.18	515.10	514.08	479.85
67	Insurance (Brokers) (8)	930.67	+0.5	11.91	6.18	10.75	0.00	926.14	938.28	914.45	1205.12
68	Merchant Banks (11)	351.40	-0.5	-	4.06	-	0.00	353.15	353.19	353.56	377.37
69	Property (52)	984.48	-0.2	5.33	3.08	23.93	0.10	986.34	998.49	993.09	828.55
70	Other Financial (30)	392.93	-0.2	9.32	4.23	13.55	0.64	393.65	398.60	399.09	398.10
71	Investment Trusts (86)	830.38	-0.1	-	3.06	-	0.32	831.13	843.40	836.11	905.60
81	Mining Finance (2)	436.44	-2.5	10.42	3.91	10.81	0.00	447.84	456.41	453.40	371.65
91	Overseas Traders (8)	1027.28	+0.4	9.34	4.93	12.65	0.00	1023.65	1022.57	1010.68	819.83
99	ALL-SHARE INDEX (720)	896.87	-0.6	-	4.19	-	0.15	902.50	912.60	909.36	879.81

	Index No.	Day's Change	Day's High	Day's Low	Jan 19	Jan 18	Jan 15	Jan 14	Jan 13	Year ago
FT-SE 100 SHARE INDEX ♦	1752.8	-15.2	1767.8	1748.8	1768.0	1790.0	1786.7	1743.4	1733.4	1761.6

FIXED INTEREST

	PRICE INDICES	Wed Jan 20	Day's change %	Tue Jan 19	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	122.24	+0.09	122.13	-	1.08
2	5-15 years	138.04	+0.24	137.81	0.11	0.73
3	Over 15 years	147.16	+0.22	146.84	-	0.00
4	Irredeemables	161.27	+0.08	161.14	-	0.00
5	All stocks	135.28	+0.19	135.08	0.05	0.73
	Index-Linked					
6	5 years	124.26	+0.12	124.10	-	0.00
7	Over 5 years	112.66	+0.42	112.19	-	0.36
8	All stocks	113.45	+0.39	113.00	-	0.33
9	Debentures & Loans	116.77		116.77	-	0.63
10	Preference	86.54	-0.05	86.59	-	0.17

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jan 20	Tue Jan 19	Year ago (approx.)
	British Government				
1	Low	5 years	8.97	8.98	9.32
2	Coupons	15 years	9.47	9.51	9.74
3		25 years	9.31	9.33	9.74
4	Medium	5 years	9.57	9.61	10.25
5	Coupons	15 years	9.66	9.69	9.99
6		25 years	9.50	9.52	9.83
7	High	5 years	9.67	9.71	10.33
8	Coupons	15 years	9.82	9.86	10.13
9		25 years	9.53	9.56	9.85
10	Irredeemables †		9.34	9.35	9.70
	Index-Linked				
11	Inflation rate 5%	5yrs	2.49	2.53	3.27
12	Inflation rate 5%	Over 5 yrs	4.07	4.10	3.74
13	Inflation rate 10%	5 yrs	1.51	1.54	1.63
14	Inflation rate 10%	Over 5 yrs	3.89	3.92	3.57
15	Debs &	5 years	10.94	10.94	10.90
16	Loans	15 years	10.91	10.91	10.89
17		25 years	10.91	10.91	10.89
18	Preference †		10.50	10.49	11.52

♦Opening index 1762.3; 10 am 1760.6; 11 am 1761.1; Noon 1751.2; 1 pm 1752.6; 2 pm 1751.9; 3 pm 1751.9; 3.30 pm 1753.1; 4 pm 1753.3

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jul.	Puts Jan.	Puts Apr.	Puts Jul.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 20 Total Contracts 38,741 Calls 22,537 Puts 16,204

FT-SE Index Calls 1,473 Puts 1,198

*Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	98	1	17
Corporations, Dominion and Foreign Bonds	18	2	33
Industrials	301	525	740
Financial and Properties	116	191	328
Oils	21	39	32
Plantations	2	5	5
Mines	25	54	120
Others	41	93	116
Totals	622	910	1,409

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices January 20

MONTREAL
Closing prices January 20

87429	Bank Mont	$26½	25⅞	25⅞	−¾
2551	BombrdrA	$08	07⅞	07⅞	
76965	BombrdrB	$07⅞	07¾	07⅞	
1500	CB Pak	$15⅝	15½	15½	−⅛
17225	Cascades	$06⅜	06⅛	06⅛	−¼
200	CIL	$29⅜	29⅜	29⅜	+1⅛
8375	ConBath	$18	17¼	17⅜	−⅜
18021	DomTxtA	$15¾	15⅝	15⅝	
1330	MntTrst	$12¼	12¼	12¼	
53634	NatBk Cda	$10⅞	10⅝	10¾	+⅛
13640	Noverco	$11½	11¼	11¼	−⅛
25785	Power Corp	$13⅝	13⅛	13⅜	−⅜
30874	Provigo	$09⅝	09⅜	09⅜	−⅛
2600	Repap Entr	$11¾	11½	11½	−¼
112546	Royal Bank	$28	27⅜	27¾	−⅜
39775	SteinbrgA	$38⅞	37¾	38⅝	+1⅛
6258	Videotron	$08¾	08½	08½	−¼

Total Sales 5,206,888 shares

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 37

Indices

NEW YORK — DOW JONES

	Jan. 19	Jan. 18	Jan. 15	Jan. 14	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
♦Industrials	1936.34	1963.86	1956.07	1926.11	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.34	87.64	87.30	87.23	95.51 (9/2/87)	81.26 (19/10/87)	—	—
Transport	755.00	757.29	756.00	740.43	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	180.86	179.41	178.40	176.92	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 1977.29 (1977.45) Low 1923.41 (1938.99)

STANDARD AND POOR'S	Jan. 19	Jan. 18	Jan. 15	Jan. 14	1987-88 High	1987-88 Low	Since compilation High	Since compilation Low
Composite ‡	249.32	251.88	252.05	245.88	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	286.22	289.68	289.99	282.75	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	22.33	22.45	22.41	21.91	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	140.13	141.24	141.16	137.97	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	268.54	268.21	268.31	263.88	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp.	340.36	340.55	340.14	334.23	455.26 (26/8/87)	291.90 (28/10/87)	455.26 (26/8/87)	54.87 (31/10/72)

CANADA

NEW YORK ACTIVE STOCKS

CHIEF LONDON PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			
Allied Textile	340	+	10
Baldwin	105	+	17
Bank of Scotland	563	+	14
Body Shop	915	+	30
Britoil	473	+	19
Finlay (James)	90	+	5
Marks & Spencer	185	+	5
Midland Bank	400	+	10
Northern Foods	265	+	8
FALLS			
Beecham	453	−	7
British Aerospace	345	−	6
Cable & Wireless	355	−	8
Courtaulds	332	−	10
Guinness	289	−	8
ICI	£10⅝	−	¼
Jaguar	324	−	9
Lloyds Chemists	130	−	13
Lucas Inds.	593	−	17
Microgen	277	−	32
Norbain Elec.	70	−	15
Pilkington	233	−	7
Wellcome	384	−	8

TOKYO - Most Active Stocks
Wednesday January 20 1988

	Stocks Traded	Closing Prices	Change on day
Mitsui Mining	21.10m	465	-5
Kamigumi	20.82m	735	+55
Sumitomo Chem	15.90m	970	-15
Sumitomo Heavy Ind	14.59m	518	+18
Mitsubishi Estate	12.87m	1840	+210
Sankyo	11.55m	449	+21
Kawasaki Heavy Ind	10.11m	293	-3
Clarion	9.84m	1030	+30
Toshiba	9.52m	690	+3
Japan Syn Rubber	9.43m	1100	-

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	2.0	16	58	18¼	17½	17⅞	−⅜
32½	21	AFG s	.16	.7	8	1104	24¾	24	24	−¾
27	10½	AGS s			13	228	15½	15	15⅜	−½
9⅝	3¼	AM Intl			38	882	5⅜	5¼	5¼	−¼
65½	26¾	AMR			10	5827	34	32⅞	33	−1¼
27¼	24⅞	ANR pf2.67		11.		2	25⅛	25⅛	25⅛	
25	19	ANR pf2.12		10.		1	20⅞	20⅞	20⅞	−⅛
12¼	6⅝	ARX s			7	105	7⅜	7⅛	7¼	−¼
73½	39½	ASA	2a	4.2		625	48⅛	47⅞	47⅞	−1
22⅝	9½	AVX			18	215	14⅛	13¾	13⅞	−¼
67	40	AbtLab	1	2.1	17	3703	48⅜	47⅛	47⅜	−⅞
28	15⅜	Abitibi g				80	20⅛	19¾	20	−¼
15¾	8½	AcmeC	.40	3.9	15	48	10⅞	10⅜	10⅜	−⅜
10½	6¾	AcmeE	.32b	4.3	25	12	7⅜	7⅜	7⅜	−⅛
20	14⅛	AdaEx	3.06e	20.		138	15⅞	15½	15⅝	−⅛
19½	6⅞	AdamM	.24	3.0	6	135	8½	7¾	8	−¾
24⅞	7½	AMD				6540	8¾	8⅞	8⅞	−⅝
56¾	28¼	AMD pf	3	9.5		604	31¾	31½	31½	−¾
11⅞	4⅝	Adobe				45	5⅝	5½	5⅝	−⅛
20½	16¼	Adob pf1.84		11.		1	16½	16½	16½	+¼
21⅞	17½	Adob pf2.40		12.		5	20⅜	20⅜	20⅜	+¼
15	6⅛	Advest	.12a	1.7	5	102	7⅜	6⅞	7⅛	−¼
68½	43½	AetnLf	2.76	6.1	6	2155	46	45	45⅜	−⅞
83½	39⅛	AflPub	.40	.8	8	442	53½	52¼	53	−⅜
26⅞	13	Ahmans	.88	5.4	7	6420	16⅞	16⅛	16¼	−⅜
5⅜	1¾	Aileen				33	2¼	2	2	−¼
53⅞	29	AirPrd	1	2.6	13	2347	38¾	37½	37⅞	−⅝
38	11⅞	AirbFrt	.60	4.3	8	110	13⅞	13⅝	13⅞	
16½	8¾	Airgas			15	78	11⅜	10½	10½	−⅞
19½	13½	AirleaseI.16e		13.	10	31	17½	17¼	17¼	−¼
15-32	5-16	AlMoan			36	182	⅜	⅜	⅜	−1-32
27¾	25¾	AlaP pf1.95e		7.4		163	26¼	26¼	26¼	+⅛
10¾	7⅝	AlaP dpf.87		9.3		31	9½	9⅜	9⅜	−⅛
106¼	81½	AlaP pf 9		9.8		z150	92	92	92	+⅜
110½	103½	AlaP pf 11		10.		z1010	106¼	106	106	
108	88½	AlaP pf9.44		9.6		z2790	98	98	98	+½
98½	77	AlaP pf8.28		10.		z380	83	83	83	+1
27⅞	13¼	AlskAir	.16	1.1	18	896	14¾	14	14⅛	−⅝
28¼	14¾	Alberto	.24	1.0	18	682	24	22¾	23	+¼
24	12⅝	AlbCulA	.24	1.3	14	217	19	18⅛	18⅜	−⅛
34	20¼	Albtsn s	.48	1.9	15	844	26¼	25⅜	25¾	−¾
37⅞	18	Alcan s	.45i	1.7	13	6510	38⅛	26⅝	26¾	−1½
30	15¼	AlcoS s	.66	3.2	12	306	21⅝	21⅛	21⅜	
32	15⅞	AlexAlx	1	5.4	13	646	18⅝	18⅜	18½	−⅛
59	34¾	Alexdr			123	7	41¾	41⅝	41¾	−⅛
92½	50	AllegCp			6	52	69	68⅛	69	+⅞
24¾	2⅜	AlgInt				1721	5¼	4½	4⅝	−⅜
20⅛	5¼	Algin pr				69	10⅛	9½	9½	−⅝

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Continued on Page 37

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
101¼	69¾	PrLP pf1.15		13.		534	9⅛	8⅞	8⅞	
15⅝	5¼	PeryDr				394	5⅞	5⅜	5⅜	−⅛
40	14¼	Petrie	.20	1.1	13	998	18½	17⅝	17⅞	−⅝
21¼	15⅝	PtPar pf	2	11.	13	154	18⅜	18	18	−⅛
33⅛	20½	PetRs	3.22e	14.		84	23	22⅝	22⅞	+¼
19¾	16	PetRs pf1.57		10.		25	16	15⅝	15⅝	−⅜
77	40	Pfizer	1.80	3.5	12	7984	53¼	50⅜	51¼	−1⅝
58	23½	PhelpD	.80	1.8	19	3859	40¾	38⅛	38⅜	−2⅜
74	37	PhlpD pf	3	5.5		528	56¾	54½	54½	−2
26	15¾	PhilaEl	2.20	11.	9	1945	20⅛	19⅞	19⅞	
45½	34	PhE	pfA3.80	10.		z500	40½	38	38	−2½
49	35½	PhE	pfC4.40	10.		z560	42½	41	42	+1
87⅛	62¼	PhE	pfE 7	11.		z660	65	64⅝	65	+1
97⅞	69	PhE	pfG8.75	11.		z118	80	79	81	+1
106	86	PhE	pfS8.50	11.		z800	88½	86½	88½	−½
13¾	11	PhE	pfR1.41	11.		5	12⅝	12⅝	12⅝	+⅛
126	115	PhE	pfO14.63	13.		48	116	115	116	+1¼
13	9⅞	PhE	pfP1.33	11.		44	11¾	11⅝	11¾	+⅛
86⅝	65⅝	PhE	pfH7.85	11.		z700	74	73	73½	+1
12⅞	9¾	PhE	pfQ1.28	11.		61	11½	11⅜	11½	
120½	110	PhE	pfM15.25	13.		z370	113½	113	113	−½
103	79	PhE	pfK9.50	11.		z2590	87¼	86	87	+1
88	64	PhE	pfJ7.80	10.		z1460	75½	74¼	75½	+¼
85	60	PhE	pf07.75	11.		z210	71	70½	71	+½
19	12⅛	PhilSub	.94	6.9	13	11	13⅝	13½	13⅝	+⅛
124½	77⅞	PhilMr	3.60	4.4	11	12108	84½	81	82⅝	−2¼
23⅞	12½	Philpln	.44	2.5	13	238	18½	17½	17⅝	−⅝
27⅞	12¾	PhilGl	.85e	6.6	6	750	12⅞	d12⅝	12⅞	+⅛
18¾	10	PhilPet	.60	4.8		9528	12⅞	12⅛	12⅛	−⅜
24⅞	22⅝	PhlPt pf1.75e		7.2		176	24½	24⅜	24⅜	
26½	7½	PhlVH s	.28	2.8	6	292	10	9¾	9⅞	−⅛
11¾	2⅝	Phicorp				298	4¾	4⅝	4⅝	
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
X Y Z										
85	50	Xerox	3	5.4	12	4410	57⅞	55½	55⅞	−1⅞
58¼	52½	Xerox pf5.45		10.		1010	53¾	53⅜	53¾	
31½	19⅛	XTRA	.64	2.5	17	204	26¼	25⅝	25⅝	
26¼	19½	XTRA pf1.94		8.2		6	24	23¾	23¾	−¼
33⅞	17½	Yorkln			9	39	22⅝	22⅝	22½	−¼
7¼	2¼	Zapata				631	2⅝	2⅝	2½	−¼
37	13½	Zayre	.40	2.7	5	2135	15½	14⅝	14⅞	−⅝
16⅛	8¾	Zemex	.40	4.1	9	1	9¾	9¾	9¾	+¼
35⅝	10	ZenithE				894	15⅝	14¾	14⅞	−⅞
13½	2⅞	ZenLab				520	3	2⅞	3	
25	13½	ZenNtl	.80	4.7	6	78	17	17	17	−⅛
20⅝	11⅝	Zero	.36	2.5	14	87	14⅞	14⅝	14⅝	−⅜
30¾	15	Zurnln s	.88	3.5	13	308	21⅞	19½	19⅝	−1½
10⅝	7⅝	Zweig	1.08e	12.		745	9⅜	9¼	9⅜	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

FINANCIAL TIMES Thursday January 21 1988

AMERICA

Decline continues amid further currency woes

Wall Street

THE EQUITY market suddenly slumped yesterday afternoon as the weak dollar led to moderate selling, which triggered programme sell orders and accelerated price falls, *writes Janet Bush in New York.*

This is the second time within a fortnight that the market has suddenly broken down and recorded substantial losses. On both January 8 when the market collapsed 140 points and yesterday, programme trading seemed to have exacerbated price declines.

The Dow Jones Industrial Average had opened moderately lower in response to the weakness of the dollar overseas and at midsession stood about 25 points down from Tuesday's close.

But volume picked up and heavy selling started in early afternoon, taking the Dow down 57.20 points to close at 1,879.14. Volume was higher than it has been this week at about 180m shares.

The trigger for the initial price declines – which then set off the chain reaction of stock index arbitrage and portfolio insurance-related programme selling – seemed to be the publication of results for Motorola which disappointed the market.

Although Motorola's earnings were sharply higher, they still seemed to have disappointed analysts. In the last two trading days, the market has focused on the stock of one particular company announcing its results, and falls in that one stock have seemed to lead the broader market lower. Motorola seemed to play that role yesterday as International Business Machines did on Tuesday.

The fact that movements in single stocks have appeared to have such an impact on the rest of the market attests to the highly nervous state of equity trading.

It was difficult to tell yesterday whether the New York Stock Exchange's experimental limits on programme trading this week stopped the market from falling further. Last Thursday NYSE announced it would ask programme traders to refrain from using the exchange's Superdot electronic order execution system if the *Dow were to fall or rise 75 points or more.*

Motorola fell $4½ to $40⅞ yesterday after it announced its earnings increased to $308m or $2.39 a share in 1987 from $194m or $1.53 previously, a rise of 60 per cent.

The rest of the computer sector, already undermined by IBM's $6 share price fall on Tuesday, continued to lead the rest of the equity market lower.

Unisys reported net earnings for 1987 of $578m or $3.15 a share compared with a net loss of $43.4m in 1986. Its share price declined $1⅛ to $30⅞. Apple Computer fell $3 to $39⅝ despite the company's announcement of first quarter net earnings of 92 cents per share compared with 45 cents previously. IBM fell another $1⅞ to $110⅞.

Earlier in the day, two sets of economic figures tended, if anything, to undermine equities and help US bonds. US consumer prices rose a seasonally adjusted 0.1 per cent in December, slightly lower than forecasts which had looked for an increase of 0.2 per cent.

US housing starts figures for December were *disappointing* for equities. Starts fell 16.2 per cent last month to an annual rate of 1.37m units, well below forecasts for a rate of nearer 1.53m. December's decline was the largest since a 26 per cent fall in housing starts in March, 1984.

The consumer prices and housing starts data helped lift the bond market off lows in overseas trading reached because of a weak dollar. The US currency has been under selling pressure since Tuesday's news of a sharply higher Japanese trade surplus in December.

US financial markets are already becoming nervous about the next set of US trade figures for December due to be published on February 12.

US Treasury bonds edged higher after the opening and were given a modest boost in afternoon trading as equities fell. The Treasury's 8.875 per cent 30-year benchmark issue was ¾ point higher, yielding 8.78 per cent.

Among other quarterly results released, Bankers Trust reported earnings of $3.70 a share in the fourth quarter compared with $1.39 previously. The bank said record trading profits in the bond and foreign exchange markets after the October equity market crash had boosted its earnings by 192 per cent in the fourth quarter to $284.5m. Despite those figures, Bankers Trust's share price closed $1¼ lower at $30.

Eastman Kodak dropped $1⅜ to $48½. The company announced a capital spending plan of $1.9bn in 1988, 9 per cent higher than planned spending last year.

American Home Products, which announced higher earnings in the fourth quarter, fell $⅜ to $73⅜. Rorer, which had been the other bidder for Robins, was unchanged at $44½.

Stanadyne surged $4⅜ to $44⅜. The company said it had rejected the $40 a share bid by Emhart and that it had been exploring the possible sale of its precision products division.

The company also announced higher fourth quarter net income of $1.03 a share. Emhart's share price dropped $⅜ to $19⅜.

SOUTH AFRICA

A FURTHER rise in the financial rand extended Tuesday's losses in Johannesburg gold shares in an otherwise trendless session.

Among heavyweight golds, Randfontein shed R6 to R248 despite Tuesday's news of a strong recovery in profits for the last quarter of 1987. Vaal Reefs was R2.75 easier at R314.25, while Freegold lost 50 cents to R35.25 and Kloof lost R1 to R35.75. Driefontein closed steady at R37.

Western Areas fell R1.25 to R8.50 after reporting an increased loss for the last quarter of 1987.

Mining Financials followed the easier trend, with Anglo American losing a further R1 to end at R49. Bellwether diamond De Beers also eased 50 cents to R29.50.

Industrials ended mixed.

Canada

LED BY falling base metal issues, Toronto stocks followed Wall Street sharply lower and posted broad losses in active trading.

The composite index, which had dropped about eight points in earlier trading, fell 47.89 to 3122.57 as declines outpaced advances by 597 to 252 on volume of 30.7m shares.

EUROPE

Easier dollar extends Frankfurt's losses

EUROPEAN markets were jolted lower by a renewed fall in the dollar and US reports that December's trade figures might have been underestimated.

FRANKFURT shadowed the sharp fall in the dollar and was further undermined by remarks from Mr Helmut Geiger, president of the country's savings banks, that West Germany's federal deficit may exceed Government predictions.

The midsession Commerzbank index was 24.4 lower at 1,238.9, while the closing FAZ index showed a 7.34 loss to 405.73.

The persistently weak dollar aggravated recent losses among exporters. Daimler sank DM24.50 to DM538 in worst hit cars, BMW lost DM21 to DM478 and VW fell DM3.20 to DM209. Continental, meanwhile, slid DM7.70 to DM182.50. The tyre-maker was reported to be close to completing the acquisition of a French car parts group.

Electricals suffered, Siemens falling DM13.50 to DM339 and AEG losing DM6 to DM175. Computer stock Nixdorf shed DM9 to DM519, finding little support from news of a 13.3 per cent rise in sales.

Chemicals followed the weaker trend, Bayer losing DM7 to DM242 and BASF DM5.70 to DM231.50.

Among engineers, Deutsche Babcock, fell DM2.20 to DM140 despite news it was to raise its dividend by DM2 on 1986-87 results. Thyssen also fell DM1.90 to DM107.10, unaffected by news of better profits last year for its special steel unit.

Deutsche Bank closed DM15.80 down at DM379.70 and Commerzbank eased DM7.70 to DM202.50.

ZURICH dipped on the lower dollar in meagre trade.

In chemical and pharmaceuticals, Hoffmann-La Roche "baby" shares ended SFr275 lower at SFr9,275, while Ciba-Geigy faded SFr40 to SFr2,500 and Sandoz lost SFr425 to SFr11,625.

Nestlé eased SFr30 to SFr7,990 in food and confectioners as Jacobs Suchard weakened SFr175 to SFr7,850.

Brown Boveri and Oerlikon-Bührle slipped by SFr30 each to end in turn at SFr1,630 and SFr845. However, Georg Fischer and Alusuisse brightened the industrial sector slightly with respective gains of SFr5 to SFr670 and SFr1 to SFr500.

Financials, though, continued to slide, Union Bank by SFr35 to SFr3,015 and Credit Suisse by SFr30 to SFr2,390 among banks. Winterthur lost SFr25 to SFr4,850.

BRUSSELS closed mixed but despite gains among holding companies as the market responded to the takeover battle for Société Générale de Belgique. Shares in the targeted group remained suspended pending further notice from the bourse authorities. The cash market index moved on 38.91 to 3,436.62.

Sofina led holdings with a BFr780 jump to BFr9,600 with Tractebel up BFr260 to BFr5,700 and Groupe Bruxelles Lambert climbing BFr350 to BFr2,830 in busy trade of 57,000 shares.

PARIS sank amid selling before the forthcoming close of the January trading account. The general market indicator showed a 3.24 loss at the close.

Losses were spread widely, but uncertainty over consumer spending hurt retailers sharply. Printemps was off FFr30 at FFr356 and Nouvelles Galéries FFr21 down at FFr279. Euromarché gave up FFr174 to FFr2,276 and Galéries Lafayette FFr42 to Fr682.

An exception was Martell, which soared 35 per cent to FFr3,140 on the resumption of trading following its suspension on December 16 when it became the target of competing bids from Canada's Seagram and Grand Metropolitan of the UK.

AMSTERDAM finished marginally down in the shadow of a poor start on Wall Street and jitters sparked by reports that the US December trade deficit had been underestimated. The CBS all-share index closed 0.4 lower at 70.0.

Publishers proved a bright spot, though, with Wolters Kluwer up Fl 1 at Fl 115.50 and VNU higher by Fl 1 at Fl 60.30.

Aircraft group Fokker edged 20 cents lower to Fl 19.90, hurt slightly by news that delivery of its F-100 jet to launch customer Swissair was again delayed.

MILAN retreated in thin trade as investors held a nervous eye on falls elsewhere across the world. The MIB index fell a further 1.49 per cent to 994.

Among blue chips, Montedison was L41 off at L1,304 and Fiat ordinary sank L76 to L8,299; Pirelli was L70 down at L2,400. Companies in the De Benedetti group were little changed, though Olivetti slid L135 to L7,856 and Buitoni added L60 to L5,410.

STOCKHOLM ignored the dollar's slide to move ahead in busy trade. Volvo ended SKr1 easier at SKr288, with the carmaker's improved results announced shortly after the close and expected to bolster trade today.

Ericsson added SKr10 to SKr173 as the market cheered the sale of its loss-making computer division to Nokia of Finland.

MADRID retreated in a nervous session undermined by rumours that tomorrow's consumer price figures may show the inflation rate to have accelerated. The general index ended 1.30 lower at 245.52.

OSLO retreated in heavy profit-taking. The all-share index fell 4.77 to 366.35.

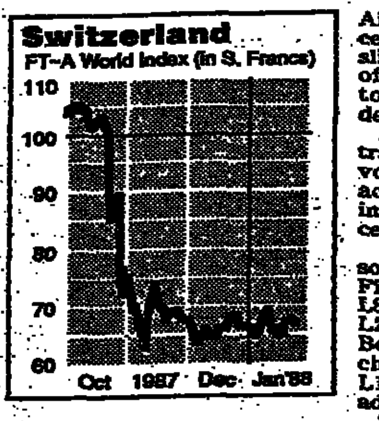
London

RENEWED weakness in the dollar sparred selling of internationals, and a round of programme trading helped pull the FT-SE 100 index down some 20 points before it recovered to close 16.2 lower at 1,752.2.

The programme trades swelled recently thin volume.

Shell, ICI, Unilever and BAT Industries bore the brunt of the fall as the dollar's further slide threatened their US operations.

Switzerland



Portuguese share deals enter computer era

PORTUGUESE BANKS are bracing themselves for radical changes in handling stock transactions planned by the Cavaco Silva Government.

The Government intends shortly to introduce the first step towards "dematerialisation" of share certificates, paving the way for a paperless Central Share Deposit at some time in the future.

According to a decree law now in preparation, companies that want their shares to be traded on the Lisbon or Oporto market must enter into a contract with a bank of their choice where the shares will be deposited.

The number of shares held by each investor will be recorded on a computer. Transactions will be logged by computer, replacing the lengthy clerical process that now takes place under which share certificates are transferred physically from seller's bank to buyer's bank.

Shareholders are expected to save money through the new system – it now costs them Es100 (72 cents) for every Es1,000 share certificate ornately printed on expensive paper.

To guard against computer fraud, the major banks have installed what they hope are tight data security systems.

Although the new process is expected to speed up buy and sell orders and settlements in the long run, the banks expect an avalanche of clerical work at the outset as they transfer share information from the files of the individual shareholder to those of the company involved.

However, knowing that the share deposit law would come eventually, the larger institutions have been investing heavily in computers, building up their data banks and taking on specialised staff.

With luck, the spectacular logjams of customers' orders that were commonplace during the market boom in the spring-autumn of last year will soon fade into the mists of memory.

The Oporto stock market, meanwhile, has this week inaugurated two trading sessions per day instead of one: the first will cover all shares and the second, shorter session at the close of general trading will cover only the 15 or 20 most heavily traded stocks. This is a further attempt to make the market more flexible.

The spectacular logjams of customers' orders that were commonplace during the market boom of last year should soon fade into the mists of memory, writes Diana Smith

In both Lisbon and Oporto, trading has begun to pick up after the doldrums of December and early January. Individual investors appear to be testing the waters again and the share prices of the more attractive, better-performing companies have recently started to rise.

New institutions, such as portfolio management companies and merchant banks, are opening their doors. Finantia, which is the first Portuguese merchant bank in the strictest sense of the word, with heavy investment in company and market research, began operations this month.

Operators and specialists are now looking for clearer guidelines rather than the shifting and piecemeal legislative intervention in the market by the Finance Ministry, under whose tutelage the Lisbon and Oporto stock markets operate. After offering companies tax reductions last year if they put their shares on the market, the ministry withdrew the incentive when some companies abused the facility.

Operators have also been left in suspense by the ministry's announcement that it will – at some point – reinstate the rule that share prices must not fluctuate more than 20 per cent in a session. The ministry had abolished the rule, which many market experts believed encouraged off-market speculation, at the end of November.

Market specialists do not expect Portuguese markets to switch overnight from being a ministerial offshoot to having full independence, but they are becoming concerned about the degree of bureaucratic tinkering by the present administration with a market that it claims to want to be more liberal, efficient and sophisticated.

ASIA

Thin trade centres on properties

Tokyo

THE WEAK TONE continued in Tokyo yesterday and only situation stocks showed signs of life as leading issues moved lower, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average shed 55.03 to 22,843.14 in turnover that shrank to 504m shares from 559m on Tuesday. The index high for the day was 22,881.16 at the opening, and the low was 22,765.67. Losses led gains by 491 to 397, with 138 issues unchanged.

Buying interest dwindled further following Wall Street's overnight decline and the yen's rise against the dollar.

Institutions were poised to sell on the slightest rise to ensure profits before the clos*ing of books in March.*

Sumitomo Heavy Industries met demand because of its involvement in the development of linear motor vehicles, rising Y18 to Y518 on 14.59m shares.

Mitsubishi Estate, which has *announced a 30-year project* to construct 60 high-rise buildings in the heart of Tokyo, rose Y210, or 13 per cent, to Y1,840 on 12.87m shares.

Its popularity triggered buying of other properties and contractors but these lost some of their gains later. Mitsui Real Estate Development scored a Y70 advance but fell back to close Y40 up at Y1,640, while Kajima finished Y30 higher at Y1,410 after rising Y70.

Mitsui Mining and Smelting, which had climbed on Tuesday on a government plan to produce rare earths, topped the active list with 21.10m shares traded. The price fell Y23 to Y422 after gaining Y5.

Kamigumi, a port transportation company, drew buying from investors who thought Japan's increasing imports would boost its cargo handling. It shot up Y55 to Y735 on the *second most active trading of* 20.82m shares.

Trading in high-technology issues shrank. Toshiba and Fujitsu managed to firm, rising Y3 to Y690 and Y10 to Y1,460, but NEC and Matsushita Elec*tric Industrial lost Y10* each to Y2,070 and Y2,290.

Bonds turned weak after the yield on the 5.0 per cent government bond due in December 1997 had hit an all-time low for two days on end. The yield on the benchmark issue rose to 4.265 per cent from Tuesday's 4.240 per cent in block trading.

But after the close, dealers rushed to buy on a report that the Bank of Japan reconfirmed its policy of tolerating lower short-term interest rates. This pushed the yield down to 4.255 per cent in inter-dealer trading.

The mood on the Osaka Securities Exchange was hesitant, and the market average turned up 24.23 to 23,173.18 in turnover down 9m shares at 73m.

Australia

INVESTORS held out of Sydney *amid caution over the declines* in London and Wall Street. The All Ordinaries index ended 3.6 lower at 1,295.2.

Selected industrials again attracted the thin interest there was, with John Hardie up 5 *cents at A$2.65 and FAI adding* 2 cents to A$5.56. News Corp fell 10 cents to A$12.20.

Golds and resources were easier. MIM shed 6 cents to A$1.65 following news of its A$70m foreign exchange losses.

Singapore

AFTER a weak start, bargain-hunting and speculative interest from local and foreign investors pushed Singapore higher. The Straits Times industrial index added 11.88 to 924.06 in turnover of 38m shares, down 3m from Tuesday.

Blue chip Singapore Airlines *gained 15 cents to S$9.90, while* Cold Storage added 6 cents to S$3.84 and Singapore Land rose 5 cents to S$5.45.

Hong Kong

LIGHT trading left shares mixed as the weakness in overseas markets kept investors cautious. The Hang Seng index edged down 3.86 to 2,484.29.

Utilities illustrated the trend, *with Hongkong Telegraph climbing* 50 cents to HK$15.50

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JANUARY 20 1988					TUESDAY JANUARY 19 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (93)	101.16	+0.4	83.67	94.43	4.79	100.77	84.01	94.51	180.81	85.36	102.89
Austria (16)	91.12	+0.6	75.37	78.69	2.66	90.60	75.52	79.18	102.87	85.53	98.26
Belgium (48)	104.76	+1.6	86.65	90.04	5.27	103.10	85.95	89.50	134.89	94.63	102.22
Canada (127)	110.40	−1.3	91.32	102.49	3.03	111.85	93.24	104.16	141.78	98.15	107.80
Denmark (38)	113.78	+0.4	94.11	98.61	3.00	113.36	94.50	99.06	124.83	98.18	119.83
Finland (23)	112.33	+1.6	92.91	95.38	1.78	110.58	92.18	94.91	–	–	–
France (124)	77.33	−2.2	63.96	68.02	4.36	79.10	65.94	70.10	121.82	77.33	108.26
West Germany (94)	70.13	−0.8	58.00	60.54	3.07	70.73	58.96	61.63	104.93	68.80	95.77
Hong Kong (46)	94.42	−0.3	78.10	94.40	5.57	94.72	78.96	94.75	158.68	73.92	100.34
Ireland (14)	111.23	−0.6	92.00	98.02	4.62	111.86	93.24	99.38	160.22	93.50	112.59
Italy (94)	73.80	−0.7	61.04	67.30	2.85	74.32	61.96	68.27	112.11	72.04	101.70
Japan (457)	141.38	+0.3	116.93	114.16	0.61	140.89	117.45	114.48	161.28	100.00	111.40
Malaysia (36)	120.61	+1.6	99.76	118.45	3.15	118.68	98.93	116.84	193.64	93.76	112.51
Mexico (14)	107.23	+5.6	88.69	259.98	1.37	101.53	84.64	246.45	422.59	90.07	116.74
Netherland (37)	96.06	+0.9	79.45	81.83	5.50	95.23	79.38	81.84	131.41	87.70	103.54
New Zealand (24)	77.25	−0.1	63.89	61.76	5.32	77.36	64.49	62.39	138.99	73.39	92.51
Norway (24)	106.10	−0.9	87.76	91.30	2.99	107.08	89.27	92.95	185.01	95.51	106.47
Singapore (26)	107.02	+1.6	88.52	99.92	2.42	105.29	87.77	99.06	174.28	81.21	108.07
South Africa (61)	128.05	+1.3	105.91	86.81	4.91	126.40	105.37	87.73	198.09	100.00	113.22
Spain (43)	135.72	+0.1	112.25	115.92	3.49	135.59	113.03	116.95	168.81	100.00	116.51
Sweden (34)	99.89	+1.1	82.62	88.47	2.59	98.79	82.35	88.11	136.64	88.50	95.47
Switzerland (53)	78.03	−0.4	64.54	65.24	2.55	78.32	65.29	66.30	111.11	73.65	102.13
United Kingdom (331)	129.87	+0.1	107.41	107.41	4.35	129.74	108.15	108.15	162.87	99.65	107.62
USA (588)	99.19	−2.6	82.04	99.19	3.74	101.84	84.89	101.84	137.42	91.21	110.60
Europe (973)	100.30	−0.2	82.96	85.27	3.98	100.52	83.80	86.18	130.02	92.25	104.14
Pacific Basin (682)	137.99	+0.3	114.13	112.48	0.84	137.52	114.64	112.79	158.77	100.00	110.64
Euro–Pacific (1655)	122.94	+0.2	101.69	101.59	1.87	122.75	102.33	102.13	143.65	100.00	108.06
North America (715)	99.78	−2.5	82.53	99.39	3.69	102.37	85.34	101.99	137.55	91.68	110.45
Europe Ex. UK (642)	81.99	−0.5	67.82	71.30	3.62	82.42	68.71	72.32	111.97	78.89	98.46
Pacific Ex. Japan (225)	97.10	+0.2	80.32	91.64	4.91	96.89	80.77	91.78	164.03	82.92	101.31
World Ex. US (1857)	122.56	+0.1	101.37	101.58	1.94	122.41	102.04	102.16	143.38	100.00	108.11
World Ex. UK (2114)	111.91	−0.9	92.56	100.03	2.34	112.94	94.15	101.37	138.82	100.00	109.23
World Ex. So. Af. (2384)	113.41	−0.8	93.80	100.80	2.53	114.35	95.32	102.09	139.47	100.00	109.06
World Ex. Japan (1988)	100.16	−1.6	82.84	94.12	3.85	101.76	84.83	95.95	134.22	92.98	107.99
The World Index (2445)	113.51	−0.8	93.88	100.72	2.54	114.43	95.39	102.01	139.73	100.00	109.09

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).